

SMALL BUSINESS OPPORTUNITIES FOR VETERANS

HEARING
BEFORE THE
SUBCOMMITTEE ON GENERAL OVERSIGHT
AND THE ECONOMY
OF THE
COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES
NINETY-NINTH CONGRESS
SECOND SESSION

WASHINGTON, DC, MAY 7, 1986

Printed for the use of the Committee on Small Business



U.S. GOVERNMENT PRINTING OFFICE

63-863 O

WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H721-9

COMMITTEE ON SMALL BUSINESS

PARREN J. MITCHELL, Maryland, *Chairman*

NEAL SMITH, Iowa	JOSEPH M. McDADE, Pennsylvania
HENRY B. GONZALEZ, Texas	SILVIO O. CONTE, Massachusetts
JOHN J. LaFALCE, New York	WILLIAM S. BROOMFIELD, Michigan
BERKLEY BEDELL, Iowa	ANDY IRELAND, Florida
HENRY J. NOWAK, New York	JOHN HILER, Indiana
THOMAS A. LUKEN, Ohio	VIN WEBER, Minnesota
IKE SKELTON, Missouri	DAVID DREIER, California
CHARLES W. STENHOLM, Texas	D. FRENCH SLAUGHTER, Jr., Virginia
ROMANO L. MAZZOLI, Kentucky	JIM KOLBE, Arizona
NICHOLAS MAVROULES, Massachusetts	WILLIAM W. COBEY, Jr., North Carolina
CHARLES HATCHER, Georgia	ROBERT C. SMITH, New Hampshire
RON WYDEN, Oregon	HOWARD COBLE, North Carolina
DENNIS E. ECKART, Ohio	JOSEPH J. DiOGUARDI, New York
GUS SAVAGE, Illinois	JAN MEYERS, Kansas
BUDDY ROEMER, Louisiana	DEAN A. GALLO, New Jersey
NORMAN SISISKY, Virginia	J. ALEX McMILLAN, North Carolina
ESTEBAN EDWARD TORRES, California	STEWART B. MCKINNEY, Connecticut
JIM COOPER, Tennessee	LARRY COMBEST, Texas
JIM OLIN, Virginia	
RICHARD RAY, Georgia	
CHARLES A. HAYES, Illinois	
CATHY (MRS. GILLIS) LONG, Louisiana	
JIM CHAPMAN, Texas	
TOMMY F. ROBINSON, Arkansas	

MAJOR L. CLARK III, *Staff Director*
THOMAS G. POWERS, *General Counsel*
LOIS LIBERTY, *Publications Specialist*
CHRISTINE A. RUSSELL, *Minority Staff Director*

SUBCOMMITTEE ON GENERAL OVERSIGHT AND THE ECONOMY

NICHOLAS MAVROULES, Massachusetts, *Chairman*

BERKLEY BEDELL, Iowa	SILVIO O. CONTE, Massachusetts
NORMAN SISISKY, Virginia	JOSEPH J. DiOGUARDI, New York
JIM COOPER, Tennessee	JIM KOLBE, Arizona
JIM OLIN, Virginia	STEWART B. MCKINNEY, Connecticut

CATHLEEN GARMAN, *Subcommittee Staff Director*
WILLIAM J. ANGELO, *Minority Subcommittee Professional Staff Member*

CONTENTS

Hearing held on May 7, 1986.....	Page 1
Opening statements of:	
Conte, Hon. Silvio O., a Representative in Congress from the State of Massachusetts.....	2
Mavroules, Hon. Nicholas, chairman, Subcommittee on General Over- sight and the Economy.....	1
Testimony of:	
Bourie, James G., national service director, AMVETS.....	155
Capozzi, David M., associate advocacy director, Paralyzed Veterans of America, accompanied by Alfred A. Virellas, associate advocacy direc- tor, PVA.....	137
Clarke, Nancy, director, Governor's Small Business Assistance Program for Veterans, veterans' service office, Commonwealth of Massachusetts..	164
David, Robert E., executive director, South Carolina Employment Securi- ty Commission.....	54
Falkowski, Frank J., executive director, Vietnam Veterans' Leadership Program of the Niagara Frontier, Inc., and research associate, small business development, State University College at Buffalo, NY.....	85
Farris, Andrew H., small business director, Georgia Vietnam Veterans' Leadership Program.....	91
Leventman, Seymour, professor, Department of Sociology, Boston College, Chestnut Hill, MA.....	84
Mather, John, World War II veteran, and administrator, New York State Small Business Development Center, Albany, NY.....	88
Parker, Marshall J., Associate Deputy Administrator for Special Pro- grams, Small Business Administration.....	3
Pechin, James E., president, the Business Store, Santa Rosa, CA, repre- senting Vietnam Veterans of America, Inc.....	23
Ryan, William F., businessman/attorney, New Orleans, LA.....	53
Additional material supplied for the hearing record:	
Bourie, James G., national service director, AMVETS: Prepared state- ment.....	215
Capozzi, David M., associate advocacy director, Paralyzed Veterans of America: Prepared statement.....	141
David, Robert E., executive director, South Carolina Employment Securi- ty Commission: Attachment to testimony.....	55
Farris, Andrew H., small business director, Georgia Vietnam Veterans' Leadership Program: Prepared statement with attachments.....	94
Enclosure from Paul R. Camacho, conference director, Fifth Annual Conference on the Concerns of the Vietnam Veterans.....	119
Parker, Marshall J., Associate Deputy Administrator for Special Pro- grams, Small Business Administration: Prepared statement.....	8
Pechin, James E., president, the Business Store, Santa Rosa, CA, repre- senting Vietnam Veterans of America, Inc.: Prepared statement with attachments.....	26

APPENDIX

Prepared statement of Emil W. Naschinski, assistant director, National Economic Commission, the American Legion.....	169
---	-----

SMALL BUSINESS OPPORTUNITIES FOR VETERANS

WEDNESDAY, MAY 7, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL OVERSIGHT
AND THE ECONOMY,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2359-A, Rayburn House Office Building, Hon. Nicholas Mavroules (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MAVROULES

Mr. MAVROULES. The hearing will now come to order. It is a pleasure to welcome all of you here this morning.

The issue of small business opportunities for veterans, and Vietnam-era veterans in particular, has long been of interest to the House Small Business Committee. In June 1984, I had the privilege of participating in a hearing on this issue which was held in Boston.

In 1974, the Congress amended the Small Business Act to ensure that the Small Business Administration gives special consideration to veterans of the Armed Forces in all agency programs. In 1981, former SBA Administrator Jim Sanders took strong action to fulfill this commitment when he issued an agency policy directive which outlined specific goals and objectives for the SBA's Office of Veterans' Affairs.

The Congress, and the Small Business Committee in particular, has continued to demonstrate its support for veterans by reauthorizing a direct loan program for the exclusive use of Vietnam era and disabled veterans.

The 28 million living veterans in the United States and the 58 million survivors and dependents of veterans represent a significant percentage of the population of the United States. It is especially appropriate that special attention be given to expanding small business opportunities for veterans.

Small businesses in the United States are in the forefront of the American economy, employing over half of our private sector work force and producing a majority of all innovation occurring in America today.

It is our duty as a nation to ensure that these veterans, who have served our Nation with such distinction, receive the same opportunity to enter the business mainstream as do other Americans.

Today we will hear from a wide range of witnesses, from veterans organizations, from those who have studied the unique plight of the Vietnam-era veteran, from the Small Business Administration, and most importantly, from the veterans themselves.

Given the climate existing in Washington today whereby both the Small Business Administration and many veterans' programs are under attack, the topic of today's hearing is especially timely, in my judgment. I look forward to the testimony of all the witnesses here today.

I would like to recognize the work of Mr. Paul Camacho from the University of Massachusetts in Boston for the assistance he has given this subcommittee in putting this hearing together. His commitment to issues relating to the Vietnam-era veteran is well known, and I want to thank Mr. Camacho personally for the many contributions he has made.

I am delighted to have with us this morning my distinguished colleague and friend, also from Massachusetts, Silvio Conte. Maybe, Sil, you would like to say a few words.

OPENING STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. CONTE. At the outset, I want to congratulate you for calling these hearings. I said to a group of Vietnam veterans yesterday, I started in the Mayors Association—asked me if I would go around the country in 1973 and hold hearings on the plight of the Vietnam veteran. And I did because I felt that I had owed everything to the GI bill of rights. I really wouldn't be in the U.S. Congress today if it had not been for the GI bill of rights.

I remembered when I came back from the Southwest Pacific there were people waiting for me in my neighborhood; parties every night, and everyone was celebrating; and I could go to any college that I wanted—my choice. I could have gone to Harvard, to Boston College, anywhere I wanted, under the GI bill of rights.

Then the Vietnam veterans came back—had fought in an ugly war, an unwanted war—and they were not given that hero's welcome; they were not given the same benefits that we received in World War II. So I felt that they did have problems, and problems that should be corrected—and held those hearings, and came back and wrote a white paper, which we delivered at that time to the Veterans' Affairs Committee here in the Congress. A lot of those recommendations had been implemented since 1973, but a lot of things have gone through the cracks, I think, since then, and a lot more has to be done.

So I want to commend you for calling these hearings and to see what we can do to continue helping the well-deserving Vietnam veteran.

Mr. MAVROULES. Thank you very much. I couldn't agree with you more. It has long been overdue and, hopefully, out of these hearings will come some very meaningful legislative initiatives on the part of the Congress. I certainly want to thank you for being here this morning.

This hearing relative to testimony, has been set up with three panels. For the first panel we have Marshall J. Parker, who is the

Associate Deputy Administrator for Special Programs, SBA, Washington, DC.

Marshall, if you would come forward, please.

Along with Marshall is James E. Pechin, Vietnam Veterans of America from Santa Rosa, CA; please come forward.

William F. Ryan, attorney at law, New Orleans, LA.

Robert E. David, State Board for Technical and Comprehensive Education, Columbia, SC.

Welcome, gentlemen. Thank you very much for your appearance here this morning.

Mr. Parker, please proceed as our first witness.

Mr. CONTE. Excuse me, Mr. Chairman, I just want to make one announcement. I am going to have to go to Rules Committee for a 10:30 on the supplemental. I will go over there and testify and I will come right back.

Mr. MAVROULES. Thank you, Sil, that is very kind of you.

Mr. Parker, please.

TESTIMONY OF MARSHALL J. PARKER, ASSOCIATE DEPUTY ADMINISTRATOR FOR SPECIAL PROGRAMS, SMALL BUSINESS ADMINISTRATION

Mr. PARKER. Thank you very much for affording us the opportunity to discuss SBA's veterans' programs with you. Mr. Chairman, we think we have a meaningful veterans' program and I am going to summarize the statement that we have turned in.

Mr. MAVROULES. By the way, let me just set the record straight here. I am going to keep the record open for further questions from the committee members to any of the witnesses here this morning; and all statements will be included in total in the record. So if you want to summarize, I would appreciate that. Thank you.

Mr. PARKER. Thank you, sir.

This program includes gathering data to assess the economic conditions, self-employment aspirations, and business skill needs of our veterans. It also includes designating and training veterans' affairs officers in every district and major branch office in order that they may portray the sensitivity that is necessary in those offices' veterans' activities; developing special veteran training programs using our other resources; processing veteran loan applications on a priority basis; implementing a direct loan program for Vietnam era and disabled veterans.

I am pleased, Mr. Chairman, to report that we have also appointed at this time a full-time permanent Director of SBA's Office of Veterans' Affairs. This Director is Vincent Pagano, a retired Marine officer, and he is with us today, to my right. Vince comes to us from the Department of Labor where he served as executive assistant to the Assistant Secretary for Veterans' Training and Employment Services and consequently he is very familiar with the veterans' community and their needs. Our agency's mission to assist veterans is limited by statutory provisions which establish program criteria, determine interest rates, and stipulate the types of assistance, the beneficiaries, and the extent of the assistance that SBA can provide.

We have tried to emphasize the fact that the SBA program is not an entitlement or a grant program such as other agencies, but a business assistance program, and one that the veteran must qualify for to receive assistance as does any other applicant.

The law requires that all loans shall be of such sound value or so secured as to reasonably assure repayment. Within these limitations the SBA has enlisted the help of interested veterans' organizations and individuals and has focused its attention on how our programs can meet the needs of our veteran constituency.

Mr. Chairman, let me briefly expand on some of the principal elements and activities of our veterans' program. I previously testified, I believe it was in the Senate, about the research studies which SBA commissioned. Prior to that SBA initiative there had been few, if any, studies that addressed the subject of veterans' business ownership.

The SBA considers this research essential to developing its veterans' program and beneficial for private sector, State, and local entities interested in veteran business ownership. A synopsis is now being printed and the studies in their entirety will be printed in a limited number for distribution.

Mr. Chairman, we realize that SBA personnel were not completely familiar with the nature and scope of SBA's veterans' programs. So last January and February, we conducted training sessions for all of our VAO's. When I say VAO, I mean the veterans' affairs officer in the district and major branch offices.

These training sessions were designed to provide the regional and district VAO's with indepth information on SBA programs and policies as they relate to veterans; to provide the VAO information regarding special considerations for veterans and briefing the field office staff on the veterans' program and developing that sensitivity to veterans' problems that I mentioned in the beginning.

We have actively attempted to provide veterans with management assistance to assure that those veterans wishing to start businesses or to obtain advice on successfully operating an existing business would have access to professional assistance.

During fiscal year 1985, we conducted 154 conferences and workshops. And this year, we will exceed that by some 40 percent at the rate which we are now going.

We also piloted a veterans' franchising conference in Orlando—a move which we are very proud of because it has acted as a prototype for both the 23 veterans' franchising conferences which are planned for fiscal year 1986 and the veterans breakout sessions in a series of franchise conferences that we have developed in cooperation with International Franchise Association.

Veterans' response in the breakout portion of these franchising conferences has been excellent. The veteran attendees have been unanimous in their conclusions that they benefitted from their attendance and would appreciate more such veteran-related activities.

Mr. Chairman, as an example of the private sector cooperation for veterans that we are receiving, the Office of Veterans' Affairs is also working in partnership—and this is just one example of many—with Bell Atlantic cosponsoring a series of marketing workshops in the Mid-Atlantic region. It is called Success '86. These in-

tensive 1-day workshops show how to prepare marketing plans, promote products or services, and attract new customers as well as many other courses.

While all of the spring sessions of this particular series are filled, there will probably be other similar training available in other geographic areas later in the year.

We are currently engaged in another project—in South Carolina—which is jointly funded by SBA and the Department of Labor. This project is in conjunction with the South Carolina technical education system, one of the Nation's finest educational systems. It is designed to provide 18 months of individualized training, counseling, and technical assistance. It is aimed at significantly improving the veteran's chances for small business success. It is the only one of its kind we have going on in the country at this time.

The project was started back in February and already 3 of the 60 that were chosen out of some 400 veterans have started their own businesses. As a matter of fact, we have, I think, authorized a loan for one of those businesses and have another in-house for consideration now.

Robert David from South Carolina will expand on this in just a few minutes.

In fiscal year 1980, 16,350 veterans as clients were counseled by SBA. That number increased from 16,000 to 40,000 in fiscal year 1985. In fiscal year 1985, 94,500 veterans went through SBA business training. We feel that these figures demonstrate a credible effort on our part to reach veterans and assist them to make the correct business decisions. SBA's Veterans' Office in Washington, DC, maintains regular contact with Federal agencies and State and local governments. We do this through the particular Governors' offices, through the veterans' representatives in local governments, and county veterans' service representatives.

The field veterans' affairs officers also work closely with State and local governments, as well as the field offices of Federal agencies. In Seattle, for example, SBA's Veterans' Office is working with the Veterans' Administration, Department of Labor field offices, Washington State Employment Security Division and its Department of Veteran Affairs, the city of Seattle, and various veteran service organizations to conduct veterans' training conferences. These conferences are called the main event, and they promote those things that we were talking about a few minutes ago that are necessary for good management.

I could point to many, many other examples of SBA working at the field office level with the State, local, and municipal governments, as well as our own Federal agencies and veterans' organizations.

Returning for a moment to our lending activities, SBA makes loans to veterans under the same statutory mandate requiring that loans be made only if there exists an ability to repay. What we are saying here, in other words, is that the veteran does not receive a subsidy or gain a competitive advantage from our lending program.

What special consideration do they receive in SBA's loan program? Veterans get priority loan processing. SBA often gives veterans some additional special consideration in that our veterans' affairs officers track the current status of each veteran's loan appli-

cation. Veterans' applications are also hand carried by that VAO to the loan processing officer on many occasions. And, if there is any judgment or interpretation required, the veteran applicant frequently is given that benefit of doubt.

I feel that the SBA-sponsored veterans' conferences and workshops, together with prioritized loan processing, constitute an excellent definition of special consideration. Veterans receive about 25 percent of all SBA-guaranteed business loans. This represents a doubling since fiscal year 1980, Mr. Chairman.

Mr. MAVROULES. Is that Vietnam veterans or all veterans?

Mr. PARKER. This would be all veterans.

Despite this increase in veterans' loans, the liquidation rate for veterans is lower than for the portfolio as a whole. And we think that is a very significant factor.

On page 12 of the testimony that we did submit to you there is a table showing the progress we have made in our lending program since 1980 up through 1986. This table shows we went from 12.4 percent of our total loans going to veterans in 1980, running around 25, 23, 22 in 1983, 1984, and 1985, to this year through the first 6 months where 28 percent of our total loans—and that is a new high—are going to veterans.

On November 3, 1981, the Congress enacted Public Law 97-72 which created a business loan program specifically for Vietnam era and disabled veterans.

There is considerable misunderstanding about this loan program and how SBA has implemented it. These direct loan funds are really in effect a pool of money to be drawn from when no other private or guaranteed money is available to a veteran who, nonetheless, meets SBA's regular business 7(a) loan program qualifications.

In other words, the annual appropriation for this direct loan program is more of a ceiling rather than a yearly lending objective. If other sources of funding are available, this pool is not used. No qualified veteran that we know of has been turned down for an SBA loan due to a lack of agency funds.

We have recently initiated a special effort to increase the awareness of the availability of these funds for qualified Vietnam and disabled veterans.

In addition to this, in order to promote SBA's veterans' program and assist our VAO's, our central office has just recently developed a more detailed "Veterans' Handbook" outlining all of our programs and how to go about gaining access to SBA services. We have distributed it to all of the field offices and to the veteran service organizations around the country.

Mr. Chairman, there has been some talk of Veterans' Business Resource Councils, and I would like to take one moment to describe their function and status in relation to SBA.

The VBRC, as they are commonly called, Veterans' Business Resource Council, functions as an independent, nonprofit organization composed of individuals, peer persons, usually veterans, who are successful small business owners, professionals, or prominent members of the local community. The VBRC is not an advisory group. It is an organization whose purpose is to assist actively in the veteran small business community and offer solutions to their business

problems. It works independently as a resource to address specific local veteran business problems. The VBRC's both cosponsor with SBA veteran training, as well as conduct training for veterans independent of SBA.

The Congress has urged the SBA to evaluate the effectiveness of these Veterans' Business Resource Councils. We have just completed a study as recommended by Congress. We are in the process of evaluating that information and will use it in developing guidelines to assist these VBRC's.

The idea of veterans helping other veterans, which is the foundation of VBRC's, should be encouraged and supported by all.

I would like to reiterate that our veterans' commitment, Mr. Chairman, is one SBA takes very seriously, a commitment that both Congress and the administration have made, and that is to serve the veteran population. Ours is firm—it is nonnegotiable.

I want to thank you very much for the opportunity.

Mr. MAVROULES. Thank you very much, Mr. Parker.

[Mr. Parker's prepared statement follows:]



U.S. Small Business Administration
Washington, DC 20416

PREPARED
STATEMENT OF
MARSHALL J. PARKER,
ASSOCIATE DEPUTY ADMINISTRATOR
FOR SPECIAL PROGRAMS,
SMALL BUSINESS ADMINISTRATION,
BEFORE THE
SUBCOMMITTEE ON GENERAL OVERSIGHT AND THE ECONOMY
UNITED STATES HOUSE OF REPRESENTATIVES

MAY 7, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THANK YOU FOR AFFORDING ME THE OPPORTUNITY TO DISCUSS THE SMALL BUSINESS ADMINISTRATION'S (SBA'S) VETERANS PROGRAM WITH YOU TODAY.

OVER THE YEARS WE HAVE ATTEMPTED TO ADDRESS THE NEEDS OF VETERANS IN BUSINESS AND VETERANS WHO HAVE ASPIRATIONS TO START BUSINESSES OF THEIR OWN. THE 1974 CONGRESSIONAL MANDATE OF P.L. 93-237, WHICH PROVIDED THAT VETERANS SHOULD RECEIVE SPECIAL CONSIDERATION IN SBA'S PROGRAMS, IS BEING IMPLEMENTED BY SBA'S INITIATIVE. SBA FORMULATED A STRONG AGENCY POLICY STATEMENT, AND HAS DESIGNATED VETERAN LIAISON PERSONNEL (VETERANS AFFAIRS OFFICERS) IN EACH SBA OFFICE. HAS ENCOURAGED THE FORMATION OF INDEPENDENT VETERANS BUSINESS RESOURCE COUNCILS (VBRC) TO PROVIDE PRIVATE SECTOR INVOLVEMENT AT THE LOCAL LEVEL. HAS FORMED AN ADVISORY COMMITTEE ON VETERAN BUSINESS AFFAIRS TO ASSESS PROGRAM EFFECTIVENESS AND INTRODUCE PRIVATE SECTOR INVOLVEMENT AT THE NATIONAL LEVEL. AND IS PROVIDING A MEANINGFUL VETERAN PROGRAM WHICH INCLUDES:

- o GATHERING DATA TO ASSESS THE ECONOMIC CONDITION, SELF-EMPLOYMENT ASPIRATIONS, AND THE BUSINESS SKILL NEEDS OF VETERANS IN BUSINESS AND WHO DESIRE TO START BUSINESSES OF THEIR OWN;
- o DESIGNATING AND TRAINING VETERANS AFFAIRS OFFICERS (VAOs) IN EVERY DISTRICT AND MAJOR BRANCH OFFICE;
- o DEVELOPING SPECIAL VETERAN TRAINING PROGRAMS;
- o SERVING AS LIAISON ON BEHALF OF VETERANS WITH OTHER FEDERAL AGENCIES, STATE AND LOCAL GOVERNMENTS AND VETERAN SERVICE ORGANIZATIONS;
- o PROCESSING VETERAN LOAN APPLICATIONS ON A PRIORITY BASIS;
- o IMPLEMENTING A DIRECT LOAN PROGRAM FOR VIETNAM-ERA AND DISABLED VETERANS; AND,
- o PROVIDING SPECIALIZED PUBLICATIONS FOR VETERANS AND VAOs.

I AM PLEASED, MR. CHAIRMAN, TO REPORT THAT WE HAVE APPOINTED A FULL-TIME, PERMANENT DIRECTOR OF SBA'S OFFICE OF VETERANS AFFAIRS. THE DIRECTOR IS VINCENT B. PAGANO, A RETIRED MARINE OFFICER. VINCE COMES TO US FROM THE DEPARTMENT OF LABOR WHERE HE SERVED AS EXECUTIVE ASSISTANT TO THE ASSISTANT SECRETARY FOR VETERANS TRAINING AND EMPLOYMENT SERVICES AND CONSEQUENTLY IS VERY FAMILIAR WITH THE VETERAN COMMUNITY.

THE SBA IS A SMALL AGENCY. USING OUR NETWORK OF RESOURCE PARTNERS (SUCH AS THE SERVICE CORPS OF RETIRED EXECUTIVES (SCORE), THE ACTIVE CORPS OF EXECUTIVES (ACE), THE SMALL BUSINESS DEVELOPMENT CENTERS (SBDCs), AND THE SMALL BUSINESS INSTITUTE (SBI) WE ARE ABLE TO FURNISH BUSINESS TRAINING AND COUNSELING TO MANY VETERANS. HOWEVER, THE AGENCY'S MISSION TO ASSIST VETERANS IS LIMITED NOT AS MUCH BY ITS SIZE, AS ALSO BY STATUTORY PROVISIONS WHICH ESTABLISH PROGRAM CRITERIA, DETERMINE INTEREST RATES, AND STIPULATE THE TYPES OF ASSISTANCE, THE BENEFICIARIES, AND THE EXTENT OF THE ASSISTANCE THAT SBA CAN PROVIDE.

WE HAVE TRIED TO EMPHASIZE THE FACT THAT THE SBA PROGRAM IS NOT AN ENTITLEMENT OR A GRANT AND THAT THE VETERAN MUST QUALIFY FOR ASSISTANCE AS DOES ANY OTHER APPLICANT. FOR EXAMPLE, A VETERAN WHO WISHES TO APPLY FOR A LOAN, BY LAW, MUST FIRST APPLY TO AT LEAST ONE BANK OR OTHER COMMERCIAL LENDER. THE VETERAN MUST DEMONSTRATE THAT THE LOAN IS NOT OTHERWISE AVAILABLE ON REASONABLE TERMS. THIS MEANS THAT THE BANK MUST TURN DOWN THE VETERAN BEFORE SBA CAN CONSIDER THE LOAN. IN A FINANCIAL MARKET WHERE LOAN FUNDS ARE READILY AVAILABLE, A LENDER IS USUALLY WILLING TO MAKE A LOAN WHEN AN APPLICANT'S CREDIT IS MODERATE TO STRONG. IF THE BANK IS WILLING TO MAKE THE LOAN, THEN THE SBA CANNOT.

ON THE OTHER HAND, THE LAW REQUIRES THAT "... ALL LOANS SHALL BE OF SUCH SOUND VALUE OR SO SECURED AS TO REASONABLY ASSURE REPAYMENT..." THUS, THE REFUSAL OF A COMMERCIAL LENDER TO MAKE THE LOAN COULD VERY WELL INDICATE THAT THERE IS NOT A REASONABLE ASSURANCE THAT THE LOAN CAN BE PAID FROM THE EARNINGS OF THE BUSINESS. THIS MIGHT INDICATE THAT SBA WOULD BE PRECLUDED FROM MAKING A DIRECT LOAN -- EVEN IF THE APPLICANT IS A VETERAN, AND EVEN THOUGH DIRECT LOAN FUNDS ARE AVAILABLE FOR LOANS TO VETERANS.

WITHIN THESE LIMITATIONS, THE SBA HAS ENLISTED THE HELP OF INTERESTED VETERAN ORGANIZATIONS AND INDIVIDUALS, AND HAS FOCUSED ITS ATTENTION ON HOW OUR PROGRAMS CAN MEET THE NEEDS OF OUR VETERAN CONSTITUENCY.

MR. CHAIRMAN, LET ME BRIEFLY EXPAND ON THE PRINCIPAL ELEMENTS AND ACTIVITIES OF SBA'S VETERANS PROGRAM.

RESEARCH ON VETERANS

I PREVIOUSLY TESTIFIED ABOUT THE RESEARCH STUDIES WHICH SBA COMMISSIONED. PRIOR TO THIS SBA INITIATIVE, THERE HAD BEEN FEW, IF ANY, STUDIES ADDRESSING THE SUBJECT OF VETERAN BUSINESS OWNERSHIP. THE SBA CONSIDERED THIS RESEARCH ESSENTIAL TO DEVELOPING ITS VETERANS PROGRAM AND BENEFICIAL FOR PRIVATE SECTOR AND STATE AND LOCAL ENTITIES INTERESTED IN VETERAN

BUSINESS OWNERSHIP. THIS RESEARCH PROVIDES US INFORMATION NOT PREVIOUSLY COMPILED, INCLUDING AMONG OTHER FINDINGS: THE NUMBER OF VETERAN-OWNED BUSINESSES, THEIR LOCATIONS, INDUSTRIES THEY REPRESENT, REVENUES GENERATED, DEMOGRAPHIC CHARACTERISTICS OF VETERAN BUSINESS OWNERS, WHY AND HOW VETERANS CHOOSE THE SELF-EMPLOYMENT OPTION, MANAGEMENT TRAINING NEEDS OF VETERANS, OPINIONS OUR VETERAN CLIENTS HAVE OF OUR SERVICES, FINANCIAL DIFFERENCES BETWEEN VETERAN AND NON-VETERAN-OWNED BUSINESS, THE ECONOMIC IMPACT OF MILITARY SERVICE ON FUTURE WAGE INCOME, REPAYMENT RATE ON SBA LOANS BY VETERANS, AND HOW VETERAN-OWNED BUSINESSES PERFORMED ON DEPARTMENT OF DEFENSE (DoD) CONTRACTS.

VAO TRAINING

MR. CHAIRMAN, WE REALIZE THAT SBA PERSONNEL WERE NOT COMPLETELY FAMILIAR WITH THE NATURE AND SCOPE OF SBA'S VETERANS PROGRAM. SENATOR KERRY RECENTLY CONDUCTED A SURVEY WHICH CONFIRMED THAT THIS WAS THE CASE. PERSONNEL TURNOVER AND SHIFTS MAKE IT NECESSARY TO PROVIDE FOR AN ONGOING PROGRAM OF INFORMATION AND INDOCTRINATION. IT HAD BEEN OVER TWO YEARS SINCE WE CONDUCTED OUR LAST FORMAL TRAINING OF OUR VAOs. LAST JANUARY AND

FEBRUARY WE CONDUCTED THREE TRAINING SESSIONS FOR ALL OF SBA'S VAOs. TWO AND ONE HALF DAY SESSIONS WERE HELD IN NASHVILLE, TENNESSEE ON JANUARY 29 -31 FOR REGIONS I, III, AND IV, IN KANSAS CITY, MISSOURI, ON FEBRUARY 5-7 FOR REGIONS V, VI AND VII, AND IN SALT LAKE CITY, UTAH ON FEBRUARY 12-14 FOR REGIONS II, VII, IX AND X.

THESE TRAINING SESSIONS WERE DESIGNED TO PROVIDE THE REGIONAL AND DISTRICT VAOs WITH IN-DEPTH INFORMATION ON SBA PROGRAMS AND POLICIES AS THEY RELATE TO VETERANS, TO DEFINE THE ROLES AND RESPONSIBILITIES OF THE PARTICIPANTS AS WELL AS THEIR RELATIONSHIP TO OTHER OFFICE FUNCTIONS, TO PROVIDE INFORMATION REGARDING "SPECIAL CONSIDERATION" FOR VETERANS, AND TO DEFINE THEIR ROLE AS A "CATALYST" FOR TRAINING THE OFFICE STAFF AND BRIEFING THE STAFF ON THE VETERANS PROGRAM.

VETERAN TRAINING AND MANAGEMENT ASSISTANCE

WE HAVE ACTIVELY ATTEMPTED TO PROVIDE VETERANS WITH MANAGEMENT ASSISTANCE TO ASSURE THAT THOSE VETERANS WISHING TO START BUSINESSES OR TO OBTAIN ADVICE ON SUCCESSFULLY OPERATING THEIR EXISTING BUSINESSES WOULD HAVE ACCESS TO PROFESSIONAL ASSISTANCE. DURING FISCAL YEAR 1985, WE CONDUCTED 154 CONFERENCES AND WORKSHOPS AND PILOTED A VETERANS FRANCHISING CONFERENCE IN ORLANDO, FLORIDA WHICH ACTED AS THE PROTOTYPE FOR 23 VETERANS FRANCHISING CONFERENCES WHICH ARE BEING PLANNED FOR FISCAL YEAR 1986 AND INCLUDES VETERAN BREAK-OUT SESSIONS IN THE

SBA/INTERNATIONAL FRANCHISE ASSOCIATION (IFA) SPONSORED
FRANCHISING CONFERENCES WHICH ARE SCHEDULED FOR:

DETROIT, MICHIGAN - MAY 16, 17, 18, 1986

LOS ANGELES, CALIFORNIA - JUNE 13, 14, 15, 1986

PHILADELPHIA, PENNSYLVANIA - AUGUST 22, 23, 24, 1986

CHICAGO, ILLINOIS - SEPTEMBER 12, 13, 14, 1986

THREE SBA/IFA SPONSORED FRANCHISING CONFERENCES HAVE BEEN HELD TO DATE, IN ATLANTA, NEW ORLEANS, AND HOUSTON. VETERAN RESPONSE IN THE BREAK-OUT PORTION HAS BEEN GOOD, AVERAGING OVER 20 PERCENT OF THE CONFERENCE ATTENDANCE AND THE VETERAN ATTENDEES HAVE BEEN UNANIMOUS IN THEIR CONCLUSIONS THAT THEY BENEFITTED FROM THEIR ATTENDANCE AND WOULD APPRECIATE MORE SUCH VETERAN RELATED ACTIVITIES.

THE OFFICE OF VETERANS AFFAIRS IS WORKING IN PARTNERSHIP WITH ATLANTIC-BELL CO-SPONSORING A SERIES OF MARKETING WORKSHOPS IN THE MID-ATLANTIC REGION.

CALLED "SUCCESS '86" THESE INTENSIVE ONE-DAY WORKSHOPS SHOW HOW TO PREPARE MARKETING PLANS, PROMOTE PRODUCTS OR SERVICES AND ATTRACT NEW CUSTOMERS. THEY FEATURE LEADING NATIONAL EXPERTS IN THE FIELD WHO WILL COVER: "WHO ARE YOUR CUSTOMERS," "DEVELOPING A SUCCESSFUL MARKETING PLAN," "MAXIMIZING CONSUMER/INDUSTRIAL ADVERTISING PROGRAMS," "WHAT IS TELEMARKETING?," "DIRECT MAIL," "LOW COST (OR NO COST)

PUBLICITY," "HARNESSING COMPUTER POWER," "PERSONAL PRESENTATION SKILLS," "EMPLOYEE MOTIVATION," AND "SALES SUCCESS THROUGH TRADE SHOWS."

SBA IS PAYING \$50 OF THE \$99 CONFERENCE FEE FOR EACH VETERAN WHO ATTENDS, THUS MAKING THESE INVALUABLE WORKSHOPS AVAILABLE TO VETERANS FOR ONLY \$49. WHILE ALL OF THE SPRING SESSIONS ARE FILLED, THERE WILL PROBABLY BE OTHER SIMILAR TRAINING AVAILABLE IN OTHER GEOGRAPHIC AREAS LATER IN THE YEAR.

THE OFFICE OF VETERANS AFFAIRS IS ACTING AS AGENCY LIAISON ON A JOINT SBA/DEPARTMENT OF LABOR PROJECT IN SOUTH CAROLINA. UNDER THE SOUTH CAROLINA PROJECT, WHICH RESULTED FROM A PROPOSAL BY THE SOUTH CAROLINA EMPLOYMENT COMMISSION IN CONJUNCTION WITH THE SOUTH CAROLINA TECHNICAL EDUCATION SYSTEM, 60 SOUTH CAROLINA VETERANS INTERESTED IN STARTING THEIR OWN SMALL FIRMS ARE RECEIVING FREE INDIVIDUAL TRAINING, COUNSELING AND TECHNICAL ASSISTANCE SO THEY CAN DEVELOP THEIR BUSINESS DEVELOPMENT PLANS AND OBJECTIVES.

IT IS DESIGNED TO PROVIDE 18 MONTHS OF INDIVIDUALIZED TRAINING, COUNSELING AND TECHNICAL ASSISTANCE, AIMED AT SIGNIFICANTLY IMPROVING THE VETERANS' CHANCES FOR SMALL BUSINESS SUCCESS.

IN FISCAL YEAR 1980, 16,350 VETERAN CLIENTS WERE COUNSELLED BY SBA. THAT NUMBER INCREASED TO 40,451 IN FISCAL YEAR 1985. IN FISCAL YEAR 1985, THE FIRST YEAR IN WHICH FIGURES WERE

TABULATED SEPARATELY ON VETERANS RECEIVING SBA TRAINING. 94.571 VETERANS WENT THROUGH SBA BUSINESS TRAINING. WE FEEL THAT THESE FIGURES DEMONSTRATE A CREDIBLE EFFORT ON OUR PART TO REACH VETERANS AND ASSIST THEM TO MAKE THE CORRECT BUSINESS DECISIONS.

SBA LIAISON WITH OTHER AGENCIES, STATE/LOCAL GOVERNMENTS, AND VETERAN ORGANIZATIONS

SBA'S VETERANS OFFICE IN WASHINGTON, DC MAINTAINS REGULAR CONTACT WITH FEDERAL AGENCIES, AND STATE AND LOCAL GOVERNMENTS. LAST YEAR WE CONTACTED THE VETERANS SERVICE OFFICER IN THE GOVERNOR'S OFFICE IN EACH OF THE 50 STATES TO MAKE THEM AWARE OF OUR VETERANS PROGRAM. WHEN WE CONDUCT A VETERANS TRAINING PROGRAM DIRECTLY FROM THE CENTRAL OFFICE, WE WORK CLOSELY WITH VETERANS REPRESENTATIVES FROM LOCAL GOVERNMENTS. DURING THE ORLANDO VETERANS TRAINING CONFERENCE, FOR EXAMPLE, WE WORKED WITH ALL OF THE FLORIDA COUNTY VETERANS SERVICE REPRESENTATIVES WHO WERE A BIG HELP TO US. WITHOUT THEIR ASSISTANCE AND EFFECTIVE VETERANS NETWORK, UNDERTAKINGS SUCH AS THIS WOULD BE VERY DIFFICULT TO ACCOMPLISH AND INSURE SUCCESS.

THE FIELD VAOs ALSO WORK CLOSELY WITH STATE AND LOCAL GOVERNMENTS, AS WELL AS THE FIELD OFFICES OF FEDERAL AGENCIES. IN SEATTLE, FOR EXAMPLE, SBA'S VETERANS OFFICE IS WORKING WITH THE VETERANS ADMINISTRATION SEATTLE OFFICE, DEPARTMENT OF LABOR FIELD OFFICES, WASHINGTON STATE EMPLOYMENT SECURITY DIVISION AND DEPARTMENT OF VETERAN AFFAIRS, THE CITY OF SEATTLE, AND VARIOUS VETERAN SERVICE ORGANIZATIONS TO CONDUCT A VETERANS TRAINING CONFERENCE CALLED "THE MAIN EVENT." THIS WILL BE CONDUCTED IN FIVE LOCATIONS THROUGHOUT WASHINGTON STATE FROM MAY TO OCTOBER. I COULD POINT TO MANY, MANY SUCH EXAMPLES OF SBA WORKING AT THE FIELD OFFICE LEVEL WITH STATE, LOCAL AND MUNICIPAL GOVERNMENTS, FEDERAL AGENCIES, AND VETERAN ORGANIZATIONS.

PRIORITY LOAN PROCESSING FOR VETERANS

RETURNING FOR A MOMENT TO OUR LENDING ACTIVITIES, SBA MAKES LOANS TO VETERANS UNDER THE SAME STATUTORY MANDATE REQUIRING THAT LOANS BE MADE ONLY IF THERE EXISTS AN ABILITY TO REPAY. SBA'S GUARANTEED LOANS TO VETERANS CARRY THE SAME LENDING CRITERIA, MATURITIES, AND INTEREST RATES AS DO GUARANTEED LOANS TO ANY OTHER GROUP OR INDIVIDUAL. THERE IS NO SUBSIDIZED MONEY GOING TO VETERANS AND SBA IS NOT CREATING A COMPETITIVE ADVANTAGE FOR THOSE VETERANS IT LENDS TO.

IF VETERANS ARE UNDER THE SAME LENDING CRITERIA AS ANYONE ELSE, WHAT SPECIAL CONSIDERATION DO THEY RECEIVE IN SBA'S LOAN PROGRAM? VETERANS GET PRIORITY LOAN PROCESSING. THIS MEANS THAT LOAN APPLICATIONS MADE BY VETERANS ARE PROCESSED BEFORE THOSE FROM ANY OTHER APPLICANT ON THE DAY THE APPLICATION IS SUBMITTED. A VETERAN LOAN APPLICATION RECEIVED ON JUNE 2ND IS PROCESSED BEFORE ANY OTHER DIRECT LOAN APPLICATIONS RECEIVED ON JUNE 2ND BUT AFTER ALL LOAN APPLICATIONS RECEIVED ON JUNE 1ST.

THAT IS HOW VETERAN LOAN APPLICATIONS ARE "FORMALLY" TREATED. INFORMALLY, SBA OFTEN GIVES VETERANS SOME ADDITIONAL SPECIAL CONSIDERATION. MANY VAO'S TRACK THE CURRENT STATUS OF EACH VETERAN'S LOAN APPLICATION AND RAPIDLY CAN TELL A VETERAN JUST WHERE HIS APPLICATION IS IN THE PROCESS. VETERANS APPLICATIONS ALSO OFTEN ARE HAND CARRIED BY THE VAO TO THE LOAN PROCESSING OFFICER TO FACILITATE HANDLING. AND IF THERE IS ANY JUDGMENT OR INTERPRETATION REQUIRED, THE VETERAN APPLICANT FREQUENTLY IS GIVEN THE BENEFIT OF THE DOUBT.

I FEEL THAT THE SBA SPONSORED VETERAN CONFERENCES AND WORKSHOPS TOGETHER WITH PRIORITIZED LOAN PROCESSING CONSTITUTE AN EXCELLENT DEFINITION OF SPECIAL CONSIDERATION. TODAY, VETERANS RECEIVE ABOUT 25% OF ALL SBA GUARANTEED BUSINESS LOANS. THIS REPRESENTS A DOUBLING SINCE FY 1980. DESPITE THIS INCREASE IN VETERAN LOANS, THE LIQUIDATION RATE FOR VETERANS IS LOWER THAN FOR THE PORTFOLIO AS A WHOLE. THE 25% PARTICIPATION RATE APPROXIMATELY REFLECTS THE PERCENTAGE OF ALL SMALL BUSINESSES THAT ARE OWNED BY VETERANS.

BELOW IS A CURRENT TABLE OF GUARANTEED LOANS TO VETERANS:
 GUARANTEED LOANS (7A) (IN MILLIONS OF DOLLARS):

FISCAL YEAR	TOTAL LOANS	TOTAL TO VETERANS	% TO VETERANS
1980	\$3.038	\$379	12.4%
1981	2.902	504	17.4
1982	1.629	358	21.9
1983	2.439	612	25.1
1984	2.858	647	23.6
1985	2.657	609	22.9
1986*	1.053	292	28.0

(* 1986 FIGURES THROUGH MARCH)

DIRECT LOANS TO VIETNAM-ERA AND DISABLED VETERANS

ON NOVEMBER 3, 1981, THE CONGRESS ENACTED PL 97-72 WHICH CREATED A BUSINESS LOAN PROGRAM SPECIFICALLY FOR VIETNAM-ERA AND DISABLED VETERANS. SINCE 1983, SBA'S APPROPRIATION HAS BEEN EARMARKED TO MAKE DIRECT LOANS AVAILABLE TO THESE VETERANS UNDER THIS STATUTE.

THERE IS CONSIDERABLE MISUNDERSTANDING ABOUT THIS LOAN PROGRAM AND HOW SBA HAS IMPLEMENTED IT. THESE DIRECT LOAN FUNDS ARE, IN EFFECT, A POOL OF MONEY TO BE DRAWN FROM WHEN NO OTHER PRIVATE OR GUARANTEED MONEY IS AVAILABLE TO A VETERAN WHO, NONETHELESS, MEETS SBA REGULAR BUSINESS LOAN (7A)

QUALIFICATIONS. IN OTHER WORDS, THE ANNUAL APPROPRIATION FOR THIS DIRECT LOAN PROGRAM IS A CEILING RATHER THAN A YEARLY LENDING OBJECTIVE. IF OTHER SOURCES OF FUNDING ARE AVAILABLE, THIS POOL MAY NOT BE USED. IF A QUALIFIED, ELIGIBLE VETERAN CANNOT OBTAIN PRIVATE FINANCING AND SBA'S GUARANTEED FUNDING IS NOT AVAILABLE, THEN HE CAN APPLY FOR THIS 97-72 DIRECT MONEY.

IN 1983, \$8.4 MILLION WAS LENT UNDER 97-72. THIS INCREASED TO \$19.8 MILLION IN 1984 AND DECLINED TO \$8.6 MILLION IN 1985. THUS FAR IN FY 1986, OF \$20 MILLION AVAILABLE, \$6.2 MILLION HAS BEEN LENT. NO QUALIFIED VETERAN HAS BEEN TURNED DOWN FOR AN SBA LOAN DUE TO A LACK OF AGENCY FUNDS. WE HAVE RECENTLY INITIATED A SPECIAL EFFORT TO INCREASE AWARENESS OF THE AVAILABILITY OF THESE FUNDS FOR QUALIFIED VIETNAM AND DISABLED VETERANS.

SPECIAL PUBLICATIONS FOR VETERANS

IN ORDER TO PROMOTE SBA'S VETERANS PROGRAM AND ASSIST OUR VAOs, CENTRAL OFFICE DEVELOPED A NEW, MORE DETAILED VETERANS HANDBOOK. WE HAVE DISTRIBUTED IT TO ALL FIELD OFFICES AND TO VETERANS SERVICE ORGANIZATIONS. NOT ONLY HAS IT BEEN WELL RECEIVED, BUT IT IS OFTEN GIVEN TO GENERAL CLIENTS AS WELL AS TO VETERANS.

WE ALSO PUBLISH A FACT SHEET ON THE VIETNAM-ERA AND DISABLED VETERANS DIRECT LOAN PROGRAM. IN ADDITION, VETERANS RECEIVE ALL OTHER AGENCY PUBLICATIONS. ALL FIELD OFFICES HAVE AN AMPLE SUPPLY OF VETERAN AND AGENCY PUBLICATIONS.

AS PREVIOUSLY MENTIONED, THE VAOs RECENTLY UNDERWENT EXTENSIVE TRAINING ON THE VETERANS PROGRAM. AS A PART OF THAT TRAINING THEY RECEIVED A VAO HANDBOOK WHICH IS AN INTERNAL AGENCY DOCUMENT AND CONTAINS IN DETAIL THE RESPONSIBILITIES OF THE VAO, THE APPLICABLE REGULATIONS, AND THE PRINCIPAL COMPONENTS OF SBA'S VETERANS PROGRAM. I FEEL THERE IS AMPLE INFORMATION NOW AVAILABLE TO THE VAO AND THE VETERAN ON SBA'S VETERANS PROGRAM, AND I FEEL THAT OUR AGENCY HAS GREATLY IMPROVED IN MEETING ITS RESPONSIBILITY TO THE VETERANS OF OUR ARMED SERVICES.

VETERANS BUSINESS RESOURCE COUNCILS (VBRCs)

MR. CHAIRMAN, I HAVE MENTIONED VBRCs ALREADY IN THE TESTIMONY. LET ME TAKE A MOMENT TO DESCRIBE THEIR FUNCTION, STATUS, AND RELATIONSHIP TO SBA.

THE VBRC FUNCTIONS AS AN INDEPENDENT, NONPROFIT ORGANIZATION COMPOSED OF INDIVIDUALS, USUALLY VETERANS, WHO ARE SUCCESSFUL SMALL BUSINESS OWNERS, PROFESSIONALS, OR PROMINENT MEMBERS OF THE LOCAL COMMUNITY. A VBRC IS NOT AN ADVISORY GROUP. IT IS AN ORGANIZATION WHOSE PURPOSE IS TO ASSIST ACTIVELY IN THE

VETERAN SMALL BUSINESS COMMUNITY. WHILE INITIALLY ORGANIZED BY, OR WITH THE HELP OF SBA, IT WORKS INDEPENDENTLY AS A RESOURCE TO ADDRESS SPECIFIC LOCAL VETERAN BUSINESS PROBLEMS AND TRAIN AND COUNSEL VETERANS ON THEIR BUSINESS CONCERNS. VBRCs BOTH COSPONSOR WITH SBA VETERAN TRAINING, AS WELL AS CONDUCT TRAINING FOR VETERANS INDEPENDENT OF SBA.

THE CONGRESS HAS URGED THE SBA TO EVALUATE THE EFFECTIVENESS OF THE VETERANS BUSINESS RESOURCE COUNCILS (VBRCs) WHICH ARE CURRENTLY OPERATING AND TO RECOMMEND IMPROVEMENTS IN THEIR OPERATIONS.

THE STUDY RECOMMENDED BY THE CONGRESS IS BEING PERFORMED BY SBA. OUR STAFF HAS VISITED SEVERAL OF THE ELEVEN EXISTING VBRCs IN PERSON, AND WE MAILED QUESTIONNAIRES TO ALL VBRC CHAIRMEN. WE ARE IN THE PROCESS OF EVALUATING THE INFORMATION GATHERED AND ARE DEVELOPING GUIDELINES TO ASSIST VBRCs. THE IDEA OF VETERANS HELPING OTHER VETERANS, WHICH IS THE FOUNDATION OF THE VBRC, SHOULD BE ENCOURAGED AND SUPPORTED BY THE SBA, VETERANS VETERAN GROUPS, STATE GOVERNMENTS, AND ALL WHO HAVE AN INTEREST IN OUR VETERANS AND A STRONG ECONOMY FOR THIS COUNTRY.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THIS CONCLUDES MY TESTIMONY, AND I WILL ANSWER ANY QUESTIONS THAT YOU MAY HAVE.

Mr. MAVROULES. I am going to go on with the other testimony but I do have a number of questions I would like you to address, so please stay for a few moments, OK?

Mr. Pechin, please continue.

TESTIMONY OF JAMES E. PECHIN, PRESIDENT, THE BUSINESS STORE, SANTA ROSA, CA, REPRESENTING VIETNAM VETERANS OF AMERICA, INC.

Mr. PECHIN. Thank you. Good morning, Mr. Chairman.

Mr. MAVROULES. Good morning.

Mr. PECHIN. My name is Jim Pechin. I am the president of the Business Store, a management consulting firm located in Santa Rosa, CA. I am also a Vietnam veteran.

I have been active in trying to promote special consideration for veterans at the Small Business Administration for 8 years. I served as chairman of the Task Force on Veterans and Business for the 1980 White House Conference and conducted a major study of SBA's services to veterans that same year. In 1983, I was honored to receive the First National Veterans' Advocate of the Year award from the Small Business Administration.

I am proud to be able to appear here this morning representing Vietnam Veterans of America. VVA extends our appreciation to you and this committee, Mr. Chairman, for the opportunity to present our views here today.

First of all, I would like to give a brief history of Federal programs to assist veterans in business.

The Servicemen's Readjustment Act of 1944, which was known as the GI bill, established a loan program for World War II veterans. This program was administered by the Veterans' Administration.

According to a 1952 study by Congressman Olin Teague, by June 1952, over 2,861,000 loans, with an initial principal amount of more than \$18 billion, had been guaranteed by the Veterans' Administration. That is \$18 billion in 1952 dollars. More than 2.7 million loans were for housing, about 58,000 were for farm loans and approximately 84,200 were business loans. Small business loans accounted for about 3 percent of all the loans made to veterans in this 7-year period. The initial principal amount for business loans was \$289 million. By adjusting that for inflation and applying the Consumer Price Index, I estimate that amount would be \$1 billion 156 million in 1985 dollars. Mr. Chairman, that would be over \$1 billion in direct low interest loans from the Federal Government, if the same investment was made in Vietnam veterans as in their parents.

The overall default rate on all of these VA loans was less than 1 percent. From such an auspicious beginning one would believe that there would be a great future for business loan programs for veterans. But nothing could be further from the truth.

In 1953, legislation was passed creating the Small Business Administration. There was a long period of silence until 1974 when Congress enacted a public law which provided for special consideration for veterans. The special consideration provision resulted in an 11-point set of regulations being issued by the SBA. These regu-

lations were never implemented and rarely discussed until the White House Conference on Small Business in 1980.

Finally, in 1982, James Sanders, Administrator of the SBA, issued a policy statement on "special consideration." Administrator Sanders proved himself to be a true friend of the veteran. The creation of the Office of Veterans' Business Enterprise was the first concrete step taken by the agency in implementing special consideration. I believe we had a great deal of support in the Administrator's office. But translating that support into effective services at the local level has proven most difficult. Implementing special consideration will require commitment, dedication, and funding at all levels of the organization. But in these times of selective fiscal restraint the SBA works against its own stated objectives.

Our Nation's Vietnam and disabled veterans need an effective veteran program at the SBA. The veterans' program is valuable and worth saving.

As Mr. Parker stated, in 1985, over 100,000 Vietnam veterans received some form of management counseling under the auspices of the SBA.

There is, at long last, again a permanent Director of the Office of Veterans' Affairs, and a full complement of staff at the national level. However, there is still no workable chain of command through the regional veterans' affairs officers to the district VAO's, so that the SBA is still attempting to manage this system with a tiny national staff. There is, if anything, a lack of support of the veterans' program from the top of SBA, and this is perhaps most important.

In order to have a Small Business Administration that meets the needs of Vietnam and disabled veterans, there must be a strong and healthy SBA. Many of the SBA programs currently in existence can be of great use to veterans, but not if the agency is under a constant threat of imminent death. None of SBA's programs will work unless President Reagan and his appointed head of the agency are really committed to small business. We must assist veterans to successfully enter the marketplace to compete equally with those who did not interrupt their careers for military service.

The proposal for restructuring the SBA, sent by Acting Administrator Heatherly to the U.S. House of Representatives, means total elimination of the veteran program. It is obvious that veterans are not a priority with Mr. Heatherly. The fact that the Acting Administrator has avoided any and all contact with the veterans' program at SBA in the past month is a statement in itself. Frankly, Mr. Chairman, the crux of what the SBA can and should be doing for veterans and others is providing the opportunity to acquire the training and business skills to succeed in a high technological environment. If we can't acquire these skills under the general auspices of the SBA, we are going to have great difficulty obtaining the necessary knowledge elsewhere.

It is the considered opinion of Vietnam Veterans of America that President Reagan and the Congress should join with America's Vietnam and disabled veterans in calling on Mr. Heatherly to make a real and substantive public commitment to veterans. Once this commitment has been clearly made to uphold the law and properly operate the Small Business Administration as a viable

and independent agency, Vietnam Veterans of America has a number of specific recommendations for improving the services provided to veterans by the SBA.

These recommendations and other materials are being submitted with our written testimony.

I would like to thank Mr. Marshall Parker, who I understand is leaving the agency, for all of his efforts on behalf of Vietnam veterans. We have been working together now for, I guess, about 3 or 4 years, and he has witnessed the kind of progress that has been made within the agency. He also has definite responsibility for the placement of the program as it is.

Mr. Chairman, that concludes our statement. Thank you.

Mr. MAVROULES. Thank you very much, Mr. Pechin.

[Mr. Pechin's prepared statement, with attachments, follow:]

PREPARED STATEMENT OF JAMES E. PECHIN, PRESIDENT,
THE BUSINESS STORE, SANTA ROSA, CA, REPRESENTING
VIETNAM VETERANS OF AMERICA, INC.

Good morning, Mr. Chairman. My name is James E. Pechin. I am the president of The Business Store, a management consulting firm located in Santa Rosa, California. I am also a Vietnam veteran, having served as a helicopter door gunner in 1969-70. I have been active in trying to promote "special consideration for veterans" at the U.S. Small Business Administration for 8 years, primarily in regard to management assistance and small business development activities. I served as Chairman of the "Task Force on Veterans in Business" for the 1980 White House Conference on Small Business, and conducted a major study of SBA services to veterans that same year. In 1983, I was honored to receive the "First National Veterans Advocate of the Year" award for the Small Business Administration, in recognition of those years of effort. I am proud to be able to appear here this morning representing Vietnam Veterans of America (VVA). VVA extends our appreciation to you and this Committee, Mr. Chairman, for the opportunity to present our views to you here today.

Mr. Chairman, Vietnam Veterans of America has divided our statement this morning into several sections. First, we have noted some of the background and history in regard to the Federal government and veterans in business. Second, we have noted a brief assessment of the current situation at the Small Business Administration in regard to veterans. Thirdly, I will present some recommendations from Vietnam Veterans of America for your consideration.

I. Brief History

The Servicemen's Readjustment Act of 1944 (known as the GI Bill) established a loan program for World War II veterans. This program was administered by the Veterans Administration.

According to a 1952 study conducted by Congressman Olin Teague, by June of 1952, over 2,861,000 loans, with an initial principal amount of more than \$18 billion, had been guaranteed by the Veterans Administration under Title III of the legislation. That is \$18 billion in 1952 dollars. More than 2.7 million loans were for housing, about 58,700 were for farm loans and approximately 84,200 were business loans. Small business loans accounted

for about 3% of all the loans made to veterans in this 7 year period. The initial principal amount for business loans was only 289 million. By adjusting for inflation and applying the Consumer Price Index I estimate that that amount would be \$1,156,000,000 in 1985 dollars. Mr. Chairman, that would be over \$1 BILLION dollars in direct, low interest loans from the federal government, if the same investment in Vietnam veterans as in their parents was made today.

The overall default rate on all VA loans was less than one percent. In 1952 Congress extended the World War II loan program to include Korean war veterans. From such an auspicious beginning one would believe that there would be a great future for business loan programs for veterans.

Nothing could be further from the truth.

In 1953 legislation was passed by Congress creating the Small Business Administration. In that same year the Administrator of the VA issued a letter containing an overview of the intent and mission of the SBA. At no point did he address the VA's small business loan program or even refer to any coordination or integration of services between the two agencies. Apparently not until 1972 did the SBA and VA enter into any joint agreements to assist veterans seeking to start a small business.

In 1974 Congress enacted P.L. 93-237 which provided for "special consideration" for veterans. The entire legislative history of the special consideration provision, however, consists of only two sentences and additional remarks by Congressman Edward Koch of New York prior to passage of the bill. Congressman Koch's statement was: "I intend to vote for this bill as it covers a desperate need in stimulating enterprise in poverty stricken areas and among disadvantaged people. The special needs of the Vietnam veteran are covered in this bill, an area where recognition is lacking elsewhere, and I applaud this bill for such inclusion."

The "special consideration" provision of P.L. 93-237 resulted in a eleven point set of regulations being issued by the SBA. These regulations were never implemented and rarely discussed until the White House Conference on Small Business in 1980. Through the

efforts of the Task Force on Veterans in Business at the Conference the only positive outcome for veterans was that the Administrator of the SBA, Vernon Weaver, publicly stated that they do not provide "special consideration" for veterans. After that public statement, there was finally some movement by the SBA.

In July of 1980 I entered into a contract with the SBA to analyze and evaluate their services to veterans and I submitted a final report to them in October of that year. In 1981 SBA established the "Administrator's Task Force on 'Special Consideration' for Veterans." That Task Force made twenty nine recommendations to improve the agency's efforts. I would like to submit both documents to you now and ask they be included in the record.

In 1982 Administrator James Sanders issued a policy statement on "Special Consideration." Administrator Sanders proved himself to be a true friend of the veteran. The creation of the Office of Veterans Business Enterprise (now known as the Office on Veterans Affairs) was the first concrete step taken by the agency in implementing "special consideration." I believe we had a great deal of support in the Administrator's office. But translating that support into effective services at the local level has proven most difficult. Implementing "special consideration" will require commitment, dedication, and funding at all levels of the organization. But in these times of selective fiscal restraint the SBA works against its' own stated objectives. In FY 1984 there was \$1.83 million specifically appropriated for operation of the veterans program, yet only \$660,000 was spent. In FY 1985 there was \$1.68 million specifically appropriated and only \$230,000 spent. This may please OMB but it does not please the veteran community. Nor should it please this committee. This spending pattern is contrary to the intent of the law as implemented in the Administrator's policy statement.

II. Current Situation

Mr. Chairman, our Nation's Vietnam and disabled veterans need an effective veteran program at the Small Business Administration (SBA). The veterans program is valuable and worth saving. In FY '85, over 100,000 Vietnam and service connected disabled veterans

received some form of management counseling under the auspices of the SBA, about 35,000 by means of the Small Business Development Centers (SBDCs). Also in FY '85, about 24% of all SBA guaranteed and direct loan funds went to veterans, a majority of which were Vietnam and disabled veterans, or about 4,635 loans for over \$671 million dollars. In FY '86, the Agency is engaging in a special project to put sixty (60) Vietnam and disabled veterans into business in South Carolina, a nationwide series of conferences on "Franchising," finally training the SBA Veteran's Affairs Officers (VAOs), and making some attempt to ensure that there is general knowledge of the veterans program in all offices, and some degree of responsiveness to veterans in those field location.

There is, at long last, again a permanent Director of the Office of Veterans Affairs, and a full complement of staff at the National level. However, there are still less than 20% of SBA offices with organized and functioning "Veterans Business Resource Councils" (VBRCs). There is still no workable chain of command through the Regional VAO to the District VAOs, so that the SBA is still attempting, in vain, to manage this system with a tiny National staff. There is, if anything, a lack of support of the veterans program from the top of SBA, and this is perhaps most important.

In order to have a Small Business Administration that meets the needs of Vietnam and disabled veterans, there must be a strong and healthy SBA. Many of the SBA programs currently in existence can be of great use to veterans (See Appendix II for the VVA perspective on various SBA existing programs.), but not if the Agency is under a constant pall of threatened imminent death, presided over by an mortician posing as a physician. None of SBA's programs will work unless President Reagan and his appointed head of the agency are really committed to Small Business. None of the veteran's programs will work unless the President and his SBA Administrator are really committed to veterans. We must assist veterans to successfully enter the marketplace to compete equally with those who chose to advance their career rather than choose to sacrifice for America in the military during the Vietnam War.

The proposal for terminating the SBA, sent by Acting Administrator Charles L. Heatherly to the U.S. House of Representatives should be retracted. Not only did this proposal advocate dismembering the SBA, it proposed total elimination of the veteran program. Perhaps it comes as no surprise that veterans are not a priority with Charles L. Heatherly. His actions during the Vietnam war did not include military service. The fact that the Acting Administrator has avoided any and all contact with the veterans program at SBA in the past month, while actively trying to destroy the veterans' program is a cruel and ironic twist. Mr. Heatherly may have avoided wartime service to his country by obtaining the education and training that enabled him to be where he is today. Yet in the position he holds today, he would destroy any chance that those who did serve might have to learn the business and management skills so necessary to success today. Frankly, Mr. Chairman, the crux of what the SBA can and should be doing for veterans (and others) is providing the opportunity to acquire the training in business skills to succeed in a high tech environment. Vietnam veterans are not going to go to Harvard Business School. If we can't acquire these skills under the general auspices of the SBA, we are going to have great difficulty obtaining the necessary knowledge elsewhere.

III. Recommendations and Call for Action

Mr. Chairman, it is the considered opinion of Vietnam Veterans of America that President Reagan and the Congress should join with America's Vietnam and disabled veterans in calling on Charles L. Heatherly to either resign or make a real and substantive public commitment to veterans, and to do so before Memorial Day, 1986. To have this individual, with his lack of military service and an already demonstrated lack of commitment to veterans as head of the SBA dishonors all of those who served, as well as those who died, in military service. Either the tune must be drastically changed, or this Administrator swept from the stage before we gather at the Tomb of the Unknowns and the Vietnam Veterans Memorial on Memorial Day, May 26th, 1986.

Once the commitment has been clearly made to uphold the law

and properly operate the Small Business Administration (SBA) as a viable independent agency, Vietnam Veterans of America would recommend the following:

1. That the Congress move to mandate by law that the "National Advisory Committee on Veterans Business Affairs" be made a permanent body, that includes representation from all of the major veterans service organizations. VVA would also recommend that this same legislation mandate a Veterans Business Resource Council (VBRC) in every District and Regional office of SBA. Further, We believe that a fulltime Veterans Affairs Officer (VAO) be mandated in every Regional SBA office and a halftime (at least 50% of worktime) VAO in every District Office of SBA. (Note that this should NOT relieve ALL SBA staff of their responsibilities in regard to "special consideration" for veterans.)
2. That the thirty-one Recommendations made in "The Pechin Report" six years ago be implemented with all due and deliberate speed.
3. That the SBA fully implement all elements of the Administrator's Policy Statement of May 14, 1982 within 120 days, and report back to this committee on how this has been accomplished not later than September 30, 1986.
4. That SBA be required to sponsor at least one large conference per year, specifically for veterans, at each District office. Further, that SBA be required in addition to hold at least six relatively small, (but well publicized) "hands-on" training conferences specifically for veterans at each District office each year.
5. That this Committee and President Reagan heed the advice of every single state delegation to the "1986 White House Conference on Small Business" to keep the Small Business Administration (SBA) as a viable independent, and fully funded agency. VVA further recommends that proper leadership be provided for the SBA, preferably a veteran with private sector experience in small business opera-

tions.

6. VVA recommends that this Committee lead the effort to greatly strengthen the education and "facilitation" role of SBA by enhancing the "Procurement Assistance" and "Small Business Development" staffs of SBA. In order to be properly responsible to the needs of Vietnam and disabled veterans who are entrepreneurs or would-be entrepreneurs, there must be a strong and viable SBA education program.
7. VVA recommends that the Committee consider requesting a GAO study of how well the SBA is conducting training, how to improve this vital service, and how well SBA is meeting its overall responsibility to provide "special consideration" to veterans, as mandated by P.L. 93-237.

Mr. Chairman, that concludes our statement. Vietnam Veterans of America appreciates the opportunity to present our views here today. Thank you.

APPENDUM TO STATEMENT OF SENATOR KERRY

INTRODUCTION

Small businesses are the backbone of much of our Nation's economy. Nowhere is this more true than in my home state of Massachusetts. The fact is that the overwhelming majority of jobs being created in Massachusetts, as in the rest of the Nation, are in small firms. The question that Governor Dukakis and I have asked the Small Business Committee of the United States Senate is to determine how we can promulgate government policies that will foster the creation and development of small firms without inappropriate intrusion or interference in the healthy competition of the marketplace. One essential ingredient is to ensure that the Small Business Administration continues to exist, and to be increasingly efficient and effective in meeting the true needs of those who are seriously contemplating entering into a business of their own.

Numerous studies have shown that over 60% of those who embark on their own business do so between the ages of 35 to 45 years of age. The average age of Vietnam veterans is now 39.4, which places them at the prime age for entry into small business. As both a Senator and a Vietnam veteran, I have a particular interest and responsibility to ensure that veterans receive the proper business counseling and other assistance that the Congress intended when it passed Public Law 93-237, which mandated the Small Business Administration to provide "special consideration" to veterans in all of its activities.

In response to information I received from many individual veterans and from the veterans service organizations that P.L. 93-237 was being implemented in a manner that was sporadic at best, I charged my staff with conducting a nationwide survey of SBA offices to determine whether there was a minimum of basic awareness of the veterans' programs at SBA, and if there was a readiness to assist veterans. Since then, I have had a number of initial contacts with SBA facilities by a number of individuals, and the method used.

Some offices seemed to be keenly aware of their responsibilities toward veterans and knowledgeable of what SBA should and could do to assist a veteran to succeed in small business. Other offices were ignorant to the mention of veterans, hostile to the mention of veterans, or both. In fairness, the number of "good"

however, that this was only an "awareness" survey and not designed to be any sort of a definitive measure of veterans' program efficacy.

What is clear is that there is the question of a good and useful veterans' program. The present need is for clear national guidelines. In December 11, 1985, I issued a letter to the offices of the SBA, and the offices of Senator 1000 SBA facilities that exist in the Nation to determine level of awareness of the SBA national policies, as noted in the SBA Administration's order implementation P.L. 93-137 (See Appendix 1), the SBA Policy guidelines issued in 1981 (See Appendix 2), and other SBA stated policies and procedures. Major findings of this survey, conducted in late September and early October of 1985 are:

SUMMARY OF FINDINGS

The Small Business Administration is mandated by Public Law 93-237 to provide "special consideration" for veterans in all of its programs and activities. The offices of Senator 1000 SBA facilities that exist in the Nation to determine level of awareness of the SBA national policies, as noted in the SBA Administration's order implementation P.L. 93-137 (See Appendix 1), the SBA Policy guidelines issued in 1981 (See Appendix 2), and other SBA stated policies and procedures. Major findings of this survey, conducted in late September and early October of 1985 are:

- A marked disparity in level of awareness of existence of SBA's veterans' program by SBA personnel. Some were extremely knowledgeable of the program, others were not. There was a veterans program (25) or were unaware of such a program (11).
- Over 40% of SBA offices denied there was any special loan program for veterans.
- 27.6% of SBA offices said there were no general loan programs that veterans could use as ordinary citizens.
- 44% of SBA offices were unaware of a brochure outlining the veterans' program.

Affairs Officer in their facility

- Over 80% of the offices were unaware of any special assistance for disabled veterans
- Over 56% said there were no special conferences on training sessions for veterans
- Over 79% were unaware of the existence of any "Veterans Business Resource Council" (VBRC)
- Almost two thirds (63.2%) were unaware of any way that a veterans' service organization or individual veteran could assist the SBA facility in delivery of services or opportunities for training to veterans

METHODOLOGY

The questionnaire was developed and refined to reflect the most basic elements of awareness of the rudiments of a veterans program:

- 1 - Is there a VAO and who?
- 2 - Is there a veterans program?
- 3 - Are there loan funds for veterans?
- 4 - Is there a disabled veterans program?
- 5 - Is there a brochure for veterans?
- 6 - Can veterans help you help other veterans?

(See Appendix for a copy of the questionnaire.)

The staff calling was done from the Eastern time zone, hence most of the offices not reached were in the Western time zones. However, 87 of the offices were reached by telephone. The pollers were briefed in the veterans program and it has been represented by the SBA National Office and were instructed to give the respondents every opportunity to produce the best answer possible to each question, including referral to a second person within their facility. The callers were instructed to be unbiased but persistent in trying to get information. It is therefore a fair representation of the experience an average American veteran would have if he or she called the same facility.

RECOMMENDATIONS

- SBA develop clear policies on what the veterans' program is at SBA, and how "special considerations" is to be implemented in each and every SBA or SBA-sponsored program.

SBA employees as to the existence of the veterans program and the basic elements of such a program.

- SBA thoroughly train VAOs, District Directors, and Regional Managers, and other responsible officials in the policies relating to veterans are approved and proven successful methods of implementing those policies.

- SBA develop and immediately implement proper lines of authority, responsibility, and accountability to ensure adequate awareness and implementation of policies regarding "special consideration" to veterans at all of their facilities and in all of the SBA-sponsored programs.

- SBA give strong consideration to reallocation of staff resources to ensure that the foregoing is carried out on a continual basis in the future (i.e. full time VAOs in each Regional Office to train, monitor, and supervise "special consideration" activities on behalf of the Regional Manager).

- SBA place a "Veterans Handbook" brochure in the hands of every SBA employee, especially those who even deal directly with the public.

- SBA renew its efforts at outreach to veterans' community, including widespread dissemination of basic information, to its own employees as well as to the public, accentuating non-loan activities.

VVA

APPENDIX II

May 7, 1986

SERVICE REPRESENTATIVES MANUAL



Guide to Veterans Claims

by
Keith D. Snyder
Richard E. O'Dell
David F. Addlestone

Published by: VVA Claims Service

dismissed. In one case considered by the Merit Systems Protection Board, a postal employee with a drinking problem who was obtaining treatment of PTSD was fired for a series of absences from work. That decision was overturned. The decision in the case stated that his problems were a handicapping condition which the Postal Service should have attempted to accommodate.[37]

PTSD has also been used by persons in the private sector to successfully seek reinstatement following discharge for absenteeism and other manifestations of PTSD.[38]

7.7 SMALL BUSINESS ADMINISTRATION

7.7.1 General

The U. S. Small Business Administration (SBA) is a small, independent Federal agency created by Congress in 1953 to assist, counsel, and advocate the cause of small business with other Federal agencies, with Congress and with financial education, professional and trade institutions and associations. SBA is also supposed to provide prospective, new, and established persons engaged in small business with financial assistance, management counseling, and training. They are also supposed to help small firms get their fair share of government contracts. The agency has about 3,800 permanent employees in about 100 offices, with at least one office in each state.

There is an Office of Veterans Affairs at the SBA. There is also a "Veterans Affairs Officer" designated in each District and Regional Office of the SBA. The VAO's are supposed to be knowledgeable in all programs and services offered by SBA, and facilitate delivery of such services to veterans, especially Vietnam era and special disabled veterans.

In 1974, Congress amended the Small Business Act[39] and directed the SBA to give "special consideration" to veterans of the Armed Forces in all Agency programs. The Congress did not, however, define what was meant by the term "special consideration." For the next seven years, the veterans organizations and the SBA discussed, argued, and wrangled over what the SBA was and was not doing for veterans, and what the SBA should and should not be doing to give "special consideration" to veterans. In the fall of 1981, the Administrator of the SBA appointed an "Administrator's Task Force on Special Consideration for Veterans," to translate the broad term "special consideration" into meaningful programs, regulations, and practices on the part of SBA. In 1982 the Task Force made its recommendations which resulted in a policy statement by Administrator James Sanders that explained that "special consideration" would mean:

- o establishing a permanent office of Veterans Business Enterprise;
- o issuing rules to clarify that veterans are, in fact, given special consideration within the SBA;

- o intensifying management and business training for veterans,
- o that regional administrators and district directors are responsible for assuring effective delivery of "special consideration"; and,
- o researching participation in SBA programs by veterans to plan policy changes as needed.[40]

SBA provides a variety of services that can be useful to the veteran business owner or potential veteran business owner. They will be as responsive as we in the veterans community make them, if approached correctly, in a nondefensive attitude. The average age when people make the decision to go into business for themselves, or to be employees the rest of their lives, is between 35 and 45 years of age. VVA wants that to be a conscious decision. If someone decides to go into business, we are committed to do everything we can to help them succeed. THE MOST IMPORTANT FACTORS in whether they succeed are their own tenacity and drive, and whether they have the management skills to know what they are doing and how to do it. Key elements are the business plan, marketing plan, variable cash flow analysis, and generally having a firm grip on what you are going to do, how you are going to do it, to whom are you going to sell it, and the flow of money, material, and labor. SBA can and will help in this process, but they are not going to "give" the veteran entrepreneur anything.

VVA also believes that it is important to remember that the majority of jobs created in the United States each year are in firms employing 100 or less, and most of these are in firms employing 20 or less people. If Vietnam veterans open their own firms, they will tend to hire other Vietnam veterans, particularly if they received special help as veterans. In short, VVA believes that a way of having significant impact on unemployment among Vietnam veterans is to help veterans become employers. For further information contact VVA.[41]

1.7.2 Veterans Business Resource Council

SBA acted to implement five pilot programs in FY 83, and plans at least thirty more such management assistance projects in FY 84. These thirty programs will be organized and assisted by the American Association of Community and Junior Colleges (AACJC), which is under contract with SBA. Each SBA office has also been mandated to establish a Veterans Business Resource Council (VBRC) to establish communication and cooperation on a regular basis between the SBA offices and the veterans community. The purpose of the VBRC is to work with the local VAO and the District Office to ensure that proper policies, procedures, and attitudes toward veterans are maintained, on a consistent basis, by all SBA personnel. The VBRC is also designed to develop a volunteer veterans' advisory committee to meet the needs of the veterans in the business community, and to assist in coordination of use of existing public and private resources for veterans in the business community. Each VBRC is eligible for a modest administrative

grant from the SBA Office of Veterans Affairs to do outreach work to the veterans community. They also may apply for special project funding.

7.7.3 Loans

In fiscal year 1983, more than \$641 million in direct and guaranteed loans were made to veterans by SBA, of which \$292 million went to Vietnam veterans. The interest rates on SBA business loans was 11.5% as of 1985 but is adjusted quarterly.

Regular business loans usually do not exceed \$350,000 and are made only if financing is not available from other sources on reasonable terms. Essentially, the SBA is a lender of last resort. All veterans must meet SBA standard loan criteria. They must first seek private financing before applying to SBA; show ability to run a business successfully; own and operate at least 51% of the firm; and have enough capital involved to operate on a sound financial basis. SBA loans are NOT a veteran's entitlement, but veterans SHOULD receive priority treatment in processing of loan applications.

Vietnam veterans are those veterans who served for a period of more than 180 days, any part of which was between Aug. 5, 1964, and May 7, 1975, and were discharged under other than dishonorable conditions. Disabled veterans are those veterans with a 30% or greater disability, or veterans with a disability discharge.

7.7.4 Guaranteed Loans

Most of the SBA's business loans are made by private lenders and then guaranteed by the Agency. Guaranteed loans carry a maximum of \$500,000 and SBA guarantees of the loan can run as high as 90%. Maturity may be up to 25 years. The average size of a guaranteed business loan is \$155,000 and the average maturity is about eight years.

7.7.5 Direct Loans

A few business loans are made directly by SBA, up to a maximum of \$150,000. SBA, under law, cannot consider making a direct loan unless a private lender (usually a bank) refuses to make a loan itself or take part in an SBA guaranteed loan. Veterans should not apply for loans in the private sector with a view to being turned down so they can go to the SBA. If the loan application to the private bank is really badly prepared, it will jeopardize approval of any SBA loan. It must be a sincere effort. Funds authorized for direct loans are limited, but veterans receive priority for access to these loans.

7.7.6 Special Veterans Loans

Pursuant to Pub. L. No. 97-72, \$25 million in direct loan money was appropriated to the SBA. These funds are for disabled

and Vietnam-era veterans. The administrative ceiling on these loans is \$150,000. SBA cannot make a direct loan if a guaranteed loan or other credit is available. These funds are designed to augment the regular loan programs. The same criteria are used as in the regular loan programs. This program will remain in effect throughout Fiscal 1984.

7.7.7 Surety Bond Contracts

SBA helps small business contractors secure performance bonding. This service makes it possible for small firms to compete for large jobs, particularly in construction. Veterans received over \$100 million in this program in FY '83, or over 30% of all SBA activity. Above this amount, Vietnam veterans received about \$24 million in contracts, or 7%, for a total veterans' share of 37% of all monies available in this program.

SBA can assist small business to obtain bill, payment, or performance bonds which are otherwise unobtainable without SBA guarantee. Consequently, Congress has authorized SBA to guarantee sureties participating in the Surety Bond Guarantee Program up to 90% of the losses incurred as a result of a principal's breach of the terms of a bid bond, payment bond, or performance bond on any contract not exceeding \$1 million in face value. It is the surety company that has to apply for the guarantee, not the individual veteran. The veteran can get a list of participating surety underwriter companies from the local SBA office.

7.7.8 Obligation To Repay All Loans

It is extremely important to bear in mind that most people, especially veterans, think of the SBA primarily as a lending institution. Many veterans also labor under the notion that SBA loans are an entitlement. While SBA is a lender of last resort, there has never been a great deal of money available for loans there, and one still must qualify based on strict criteria, including likelihood of ability to be able to repay the loan.

What most Vietnam veterans really need is management assistance and training in the "nuts and bolts" of actually preparing and using a business plan, preparing and using a variable cash flow analysis, and other essential management tools. Working through the VBRC, the SBA-VAO, and with the Management Assistance staff of District and Regional SBA offices, the effort should be to orient veterans to succeeding in business, and not just getting the capital to go into business. It is also important to remember that in order to qualify for an SBA loan, one must first be turned down in the private sector. More often than not, the main reason is lack of collateral and/or equity. If the individual does not have much collateral or equity, the key to getting an SBA loan approved is to have a solid business plan. The SBA Management Assistance people and/or staff of the Small Business Development Center (SBDC) can be of tremendous help to the veteran in preparation of the business plan and other elements of the loan pack-

age before it is submitted. The work that is done at this stage is analogous to the work that should be done prior to filing a claim with the VA. If the proper preparation is not done before official filing, it is extremely difficult to rehabilitate the claim or application at a later date. Essentially, what this means is the SBA Veterans Loan Program is designed to make a difference on the margins.

7.7.9 Procurement Assistance

There are approximately 90,000 small firms registered in the computerized SBA Procurement Automated Source System (PASS), of which over 8,000 are businesses owned by Vietnam veterans. Veteran business owners should be urged to register on the PASS, but not to passively rely on it to bring them government business. (Complete and return the PASS Company Profile to be entered in this system; use SBA Form 1167 reproduced at App. 7D or get one from any SBA District Office.) The veteran should seek out the Federal Procurement Specialist in the SBA District Office for help in preparing bids. Veterans should be urged to consult the Commerce Business Daily on a regular basis, either by subscribing to it or by checking it at their local public library. All government procurement solicitations must, by law, be printed in CBD, and all contracts awarded must, by law, be printed as well. Small firms who want government business should watch for large contracts let in their general area of endeavor and approach awardees to seek subcontracts. It is also a good idea for them to approach all of the procurement offices in the various federal agencies in their area to indicate their interest in bidding on contracts and/or subcontracts. The emphasis here, as elsewhere in this area, should be on urging the veteran to be active, imaginative, and assertive (but NOT aggressive). Passivity is not rewarded by the free enterprise system. SBA and other resources are there to be used as means and tools toward succeeding in business, but the drive and tenacity must come from the veteran business owner.

7.7.10 8(a) Company Contracts

Veterans may qualify for 8(a) participation on a case-by-case basis. Veterans as a class are not classified as "socially or economically disadvantaged" for 8(a) purposes. However, women and minority veterans should be urged to register for the 8(a) program at their SBA Office. Over \$82 million of government contracts went to the 349 veteran-owned firms registered under this program in FY 1983.

7.7.11 VA and SBA

The VA has appointed a "Veterans-In-Business Coordinator" (VIBC) in each of their field offices to work with SBA in referring veterans to the appropriate place for assistance. These VIBCs should be helpful in outreach programs to veterans, and in assisting the procurement cultivation activities. These people also sit on the VBRC in their community.

7.7.12 Management Assistance and Training

Statistics show that most small business failures are due to poor management. VVA also believes that most veterans who desire to go into business never actually get started because they lack the management skills to become successfully operational. It is for this reason that VVA has pushed hardest for management assistance and training programs specifically tailored to Vietnam veterans. While we feel there is a need for special programs, it is important for Vietnam veterans to seek to avail themselves of pre-existing SBA management assistance programs. These include free individual counseling, courses, conferences, workshops, problem clinics, and a wide range of films and publications. (See Resources listed at App. 7A.) Counseling is provided by SBA's Management Assistance staff; the Service Corps of Retired Executives (SCORE); its companion organization of active business men and women, the Active Corps of Executives (ACE); and numerous professional associations.

SBA is on record as being committed to involve private-sector organizations and institutions in overall management assistance. Once again, however, it is important that veterans groups and individuals be imaginative and assertive in seeking out substantive "hands-on" training in understanding the importance of and the "How To . . ." of preparing and using a business plan, variable cash flow analysis, and other essential management tools. One should seek training sessions through the VBRC, the Chamber of Commerce, the SBA itself, local colleges and universities, their own membership, and anywhere that expertise and the will to share that expertise exists in your community. The VBRC is a way to access many of these institutions and their expertise that otherwise might well not be generally available to Vietnam veterans.

Small Business Institutes (SBI's) have been organized through SBA on about 500 university and college campuses as another way to help small business. At each SBI, senior and graduate students at schools of business administration, and their faculty advisors, provide on-site management counseling. Students are guided by the faculty advisors and SBA management assistance experts and receive academic credit for their work.

Small Business Development Centers (SBDC's) draw from resources of local, state, and federal government programs, the private sector, and university facilities to provide managerial and technical help, research studies, and other types of specialized assistance of value to small business. These university-based centers provide individual counseling and practical training for small business owners. Some SBDC's are very good and very active, while others are virtually moribund. The local veterans groups need to "sell" the SBDC's, SBI's, and other local institutions on providing training programs specifically tailored to Vietnam and disabled veterans.

FOOTNOTES

1. 38 U.S.C. §§ 2021(A), 2024(A), 2024(B))2).
2. 38 U.S.C. § 2021(B)(2). See also *Fishgold v. Sullivan Drydock & Repair Corp.*, 328 U.S. 275, 284-85 (1946).
3. 38 U.S.C. § 2022.
4. *Id.*
5. 38 U.S.C. § 2023.
6. Legal Guide and Case Digest prepared by the U.S. Department of Labor.
7. 38 U.S.C. § 2021(a).
8. See e.g., *Stevens v. Tennessee Valley Authority*, 687 F.2d 158, 161 (6th Cir. 1982).
9. *Collins v. Weirton Steel Co.*, 398 F.2d 305, 309-10 (4th Cir. 1968).
10. 38 U.S.C. § 2024(a).
11. *Id.*
12. 38 U.S.C. § 2021(a).
13. *Id.*
14. 38 U.S.C. § 2024(c).
15. 38 U.S.C. § 2021(a).
16. 38 U.S.C. § 2024(a).
17. See *Alabama Power Co. v. Davis*, 431 U.S. 581, 591-92 (1977).
18. 38 U.S.C. §§ 2021(a)(A)(ii), 2021(a)(B)(ii). See also *Hembree v. Georgia Power Co.*, 637 F.2d 423, 429 (5th Cir. 1981).
19. 38 U.S.C. § 2024(d).
20. 38 U.S.C. § 2021(b)(3).
21. 38 U.S.C. § 2025.
22. 38 U.S.C. § 2022.
23. 38 U.S.C. § 2023(a).
24. Title IV, pt. C of Pub. L. No. 97-300 (Oct. 13, 1982). For detailed instructions, see Technical Assistance Guide for Implementation of Emergency Veterans' Job Training Act of 1983 (Oct. 13, 1983) and DVB Cir. 20-83-25 (Sept. 21, 1983).
25. 20 C.F.R. pt. 635.
26. Pub. L. No. 98-77 (Aug. 15, 1983).
27. Pub. L. No. 98-543 (Oct. 24, 1984).
28. 20 C.F.R. §§ 614 *et seq.* Note: This section of DOL regulations is invariably not current. Instead of publishing its regulations, DOL appears to rely on so-called unemployment insurance program letters (UIP ltrs) and a handbook to implement the UCX program. See list of UIP ltrs at App. 7A.
29. Pub. L. No. 97-362, amending 5 U.S.C. § 8521.
30. 20 C.F.R. § 652.100 *et seq.*
31. Pub. L. No. 93-508, codified at 38 U.S.C. §§ 2011-2014.
32. A nationwide listing of Job Information Centers may be obtained by writing the U.S. Office of Personnel Management. See Resources at App. 7A.
33. 48 C.F.R. pts. 810, 852.
34. 38 U.S.C. §§ 2011-2014.
35. An exception to this deadline can be granted for "good cause" 29 C.F.R. § 60-250.26. Complaints are to be filed with the Labor Departments' Veteran's Employment Service through the

Veterans Employment Representative at a local State employment service office.

36. Pub. L. No. 93-112, 29 U.S.C. § 793.
37. MSPB Case No. SE07528110174 (1981). This case is included in the Stress Disorder Packet: Civil available from the Veterans Education Project, PO Box 42130, Washington DC 20015.
38. Two decisions of union arbitrators ordering reinstatement are included in the Stress Disorder Packet: Civil available from VEP.
39. Pub. L. No. 93-237.
40. See full text of policy statement at App. 7C.
41. Richard Weidman, VVA, 2001 S St., NW, St. 700, Washington DC 20009; 202-332-2700.

APPENDIX 7C

ALL BUSINESS ADMINISTRATION POLICY STATEMENT



United States of America
Small Business Administration
Washington, D.C. 20416

POLICY STATEMENT

By

JAMES C. SANDERS, Administrator

Subject: Special Consideration for Veterans of the Armed Forces

Public Law 93-237, which amended the Small Business Act, directed that the Small Business Administration give "special consideration" to veterans of the Armed Forces in all Agency programs. Since this law was first implemented by regulation in 1974, the SBA has provided thousands of hours of business counseling and training to veterans and in FY 1981 alone made 6.3 million in loans to this group. This represented more than 1% of the total SBA loan dollars for that year. While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans services organizations and committees of Congress that, unfairly, veterans do not receive any "special consideration" as law requires when seeking SBA assistance.

Since SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it is clear from Congressional Hearings, SBA studies, and reports of veteran services groups that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the non-veteran veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration. Therefore, I am directing that the following actions and policies be implemented:

There shall be established a permanent Office of Veterans Business Enterprise, within the Office of the Chief Counsel for Advocacy. This office shall be responsible for providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran entrepreneurs. Also, this office shall perform policy duties as defined in Public Law 94-305 on behalf of veterans, including the review of SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interests of veterans in business.

New regulations as necessary shall be issued to clarify and assure that veterans are, in fact, provided "special consideration" in each assistance program of SBA. Associate and Assistant Administrators shall review their programs and activities and issue required regulations or SOPs within 90 days from this date.

Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding of loan applications, with particular attention to be given to the handicapped and Vietnam-era veterans. The "Pechen Study" commissioned by SBA in 1980, and the Report of the SBA Veterans Task Force on Special Consideration for Veterans shall be used to guide the development of all these regulations.

3. Management assistance and business training for veterans shall be intensified over the next twelve months. In addition, special business training projects shall be initiated in at least five geographic locations convenient to reaching the maximum number of veterans. The staff and resources of the Small Business Development Centers, the Office of Public Information, and Agency procurement and technical assistance activities shall be employed in these projects. All other departments and activities of the Agency shall cooperate and lend support to this program as called upon.

4. Regional administrators and district directors are responsible for assuring the effective delivery of "special consideration" for veterans in all their operations and programs. Veterans Affairs Officers (VAOs) shall be appointed in each regional and district office, if not already designated. VAOs shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans seeking agency assistance. Each program office shall monitor the performance of field offices in the effective delivery of services to veterans.

5. The Office of Administration, in cooperation with the Office of Veterans Business Enterprise and each program office, shall assure that information and data concerning the participation of veterans in all SBA programs are collected, measured, and analyzed in a manner which serves the policy-making needs of the Congress and Agency management. The Chief Counsel for Advocacy shall periodically report to the SBA Management Board his findings and recommendations regarding veterans' participation in SBA programs and the small business economic sector.

The policies and actions set forth in this statement are to be implemented immediately and shall be incorporated into the regulations and other operating procedures of SBA at the earliest possible date.

Date May 14, 1982

Washington, D.C.

James C. Sanders
James C. Sanders
Administrator

SRM:11-85: App. 7C-1

APPENDIX 7D

GUIDE TO WRITING A BUSINESS PLAN

Copyright 1985 The Business Store. All Rights Reserved.

Reprinted with permission.

A Business Plan is two things:

1. It is your sales pitch to lenders or suppliers from whom you want to borrow money. It should tell the complete story about your business (past, present and future) as briefly as possible.
2. A Business Plan also is your guide to your business. It organizes, on paper, your thoughts as to why you are in business, who your customers and competition are, your strengths and weaknesses and your plans for the future. It is a very good idea to update the Business Plan at the beginning of each year.

Some businesses do not have a Business Plan, but those who do are in a better position to succeed. Business Plans show potential lenders and suppliers that you have thought about the basics of business in general and your business in particular. It also shows that you plan for the future.

Business Plans are required by the Small Business Administration (SBA) and are strongly preferred by private lenders.

These are the suggested contents of a Business Plan. Only include information applicable to your business. The following questions should be of help in the development of your Business Plan:

1. NAME OF FIRM
State the business' legal name.
2. OWNER OR OWNER-TO-BE
State owner(s) name(s), as well as the form and percent of ownership.
3. INFORMATION ON THE BUSINESS
 - a. Type of Business and Product or Service:
 - o State the general and specific nature of the business (i.e., general - energy; specific - oil, solar, wind; general - food; specific - restaurant, catering, farming, ice cream parlor, bakery). State the type of business (manufacturing, service, construction, wholesale, retail, other).

- o State the company's goals and objectives.
 - o Describe your products and/or services. State who buys the product/service and who the final users are (briefly here, because you will be discussing your customers very thoroughly under Market Analysis).
 - o Describe how the product/service is sold to customers (walk-in stores, sales representatives, mail order catalogs, telephone orders, etc.).
 - o Describe how and where buyers get the product/service (walk-in stores, mail, delivery, etc.).
 - o Comment on quality of product/service. Estimate average price of product/service.
- b. History:
- o If new, say so. If existing, discuss age of business, prior owners, how acquired and length of time operated by you, image or reputation, number of employees, last year's sales volume and profit and any significant events that have affected the company's development.
- c. Offices/Plant:
- o Give addresses, descriptions of area and building. State whether rented, leased or owned. If rented or leased, state from whom and under what conditions. State size (square footage). Describe type of access to building (major roads, freeways, walking, parking, etc.). Is the location a good one that is convenient to customers? State business hours.
- d. Personnel:
- o For the present and future, state: number of employees, type of labor (skilled, unskilled, etc.), sources of labor (especially minorities, handicapped, veterans, or other socially or economically disadvantaged groups), timing of hiring (or layoffs). Comment on the quality of the staff.
- e. Economic/Accounting:
- o Describe how this business makes money.
 - o State how prices are or will be determined and by whom.
 - o State what financial records will be kept and by whom.
- f. Inventory, Supplies, Suppliers and Equipment:
- o Describe what inventory, raw materials and/or supplies the business uses (initial and continuing).
 - o List your suppliers - name, address, type and percent of supplies furnished and length of time you have been buying from each, reliability and frequency of purchase.
 - o How easy or difficult is it to get necessary supplies? If it is difficult, how will you deal with potential or actual shortages?
 - o Are the prices of your supplies steady or fluctuating? If fluctuating, how do you deal with changing costs?
 - o List the equipment used by the business and comment on its

condition. If the equipment has been appraised, include values and state who did the appraisal.

g. Legal:

- o State form of business (sole proprietorship, partnership, corporation) and status (already formed or in process of formation).
- o State licensing requirements (type and licensing source) and status (not yet applied, applied and pending, obtained). State zoning requirements and status (verified, O.K., rezoning).
- o State insurance requirements (type, source) and status. Have building codes been complied with? State any health code requirements.
- o Describe any other laws and regulations that affect the business. Describe lease, if any.
- o Trademarks, patents, licenses, and copyrights should be checked for legality.

h. Future Plans:

- o What are your plans for the future (maintain, expand, diversify, sell, etc.)?

4. MARKET ANALYSIS

a. Customers (Market):

- o What is your market, or who are your consumers (wholesalers, retailers, consumers, government, etc.)?
- o Why does this market NEED your product/service? (All markets are created on the basis of NEED.) One product/service often satisfies several needs.
- o How long will this market need your product service? Is your product/service a fad or continuing need; being phased out or created by new technology?
- o List the characteristics of your average customers: age, location (market area), average income/sales, sex, lifestyle (family or single), working and other important information. The more you understand about your market, the better you can sell to it.
- o What do customers like and dislike about your product/service or business?
- o Estimate the size of the market (in terms of number of customers).
- o Estimate how much the total market will spend on this or similar products/services in the next year.

b. Environment:

- o Discuss any environmental factors (economic, legal, social or technological) which affect your market or product/service. Environmental factors are those which have significant effects on your operation, but over which you have no control, i.e., county growth, rising energy prices, etc.

Competition:

- o Discuss your competition: number of competitors (direct or indirect), type of company (i.e., product or service), location, age, reputation, size (sales or customers), market share.
- o Estimate how much of your product/service ALL the competition will provide in the next year.
- o List MAJOR competitors (names and addresses). Discuss their: product/service features, age of business, price, location/distribution, reputation/image, market share, size, product/service quality, marketing strategy.

Competitive Advantages and Disadvantages:

- o Discuss how your product/service meets market needs and how you compare with competition in terms of product/service features, location/distribution, price, other.
- o Compare your estimates of the market's demand and the competition's supply.
- o The relationship of supply and demand will affect your marketing and sales strategy, i.e., high demand with low supply usually means less competition and less advertising. Low demand and high supply indicates a very competitive situation and a need for extensive marketing.

Projections:

- o Give your projections in terms of either the number of customers, items sold, or contracts obtained, etc.

MARKET STRATEGY**Sales Strategy:**

- o Present your marketing strategy. In other words, tell how you will get the edge on your competition and get customers. This is your ACTION PLAN to get business.
- o Your product/service will sell because one or more of the following is attractive: advertising, pricing (high, medium, or low), distribution system (limited, widespread, etc.), and promotion.

Promotion Strategy:

- o Describe how you plan to promote your product/service. State how you will promote: advertising, direct mail, personal contacts, sponsoring events or other (word-of-mouth, trade associations, etc.). If you plan to advertise, state what media you will use: radio, television, newspaper, magazines, telephone book yellow pages, and/or other (billboard, etc.). State why you consider the media you have chosen to be the most effective.
- o State the content of your promotion or advertising: what your product/service is, why it is attractive, business location, business hours, business phone number, and other. When you are designing your advertising, remember you are selling to satisfy someone's needs. Refer back to your Market Analysis on need.

6. MANAGEMENT

- o Why have you chosen this type of business? For key management personnel, include the following: resumes, personal financial statements, tax returns for the last three years, and personal family budget.
- o Describe prior experience that qualifies management to run this type of business. State why you feel you can run this business. State how much time management will devote to running the business. Discuss local contacts who may assist you in your business.

7. FINANCIAL

a. Sources and Uses:

- o Describe the project to be financed.
- o State where the money to pay for the project will come from (sources) and show in detail how it will be used (uses). The most common uses are equipment, leasehold improvements, inventory, and working capital.

b. Statements:

- o If business is an existing one, include business tax returns and financial statements for the last three years. Financial statements should include:
 - o Balance Sheet
 - o Income Statement
 - o Accounts Receivable and Aging
 - o Accounts Payable and Aging
 - o Debt Schedule
 - o Reconciliation of Net Worth
- o For both existing and new businesses, project the following financial statements for the next three years (monthly for 1st year, annually for 2nd and 3rd):
 - o Operating (or Income) Statement with Explanation (sales, expenses, profit)
 - o Balance Sheet
 - o Reconciliation of Net Worth
 - o Cash Flow with Explanation
 - o Breakeven Analysis

APPENDIX 7E

FORMS

1. SBA Form 4(11-82) REF SOP 50 10, Application for Business Loan.
2. PASS--Company Profile.

U.S. Small Business Administration APPLICATION FOR BUSINESS LOAN									
I. Applicant									
20 Trade Name of Borrower					Borrower Address				
21 City		County		State		Zip		Tel. No. (Inc. A/C)	
22 Employees ID Number		Date of Application		Date Application Received by SBA		Number of Employees (including subsidiaries and affiliates)			
23 Type of Business		Date Business Established		☐ Existing Business ☐ New Business ☐ Purchase Existing Business		At Time of Application			
Bank of Business Account					If Loan is Approved				
II. Management (Proprietor, partners, officers, directors and stockholders owning 20% or more of outstanding stock)									
Name		Address		% Owned	Annual Comp.	*Military Service		*Race	*Sex
					\$	From To			
					\$				
					\$				
					\$				
*This data is collected for statistical purposes only. It has no bearing on the credit decision to approve or decline this application.									
III. Use of Proceeds (Enter Gross Dollar Amounts Rounded to Nearest Hundred)		Loan Requested	SBA USE ONLY	2 SBA Office Code	1 SBA Loan Number				
9 Land Acquisition		\$	Approved						
10 New Plant or Building Construction				IV. Summary of Collateral*					
11 Building Expansion or Repair				If your collateral consists of (A) Land and Building, (B) Accounts Receivable and/or (C) Inventory, list in the appropriate blanks. If you are pledging (B) Machinery and Equipment, (C) Furniture and Fixtures, and/or (F) Other, please provide an itemized list (tabular Exhibit A) that contains serial and identification numbers for all articles that had an original value greater than \$500. Include a legal description of Real Estate offered as collateral.					
12 Acquisition and/or Repair of Machinery and Equipment									
13 Inventory Purchase									
14 Working Capital (Including Accounts Payable)				Present Market Value		Present Mortgage Balance		Coll. Liable Description	
15 Acquisition of all or part of Existing Business				A Land and Building	\$	\$	\$		
12a Payoff SBA Loan				B Machinery & Equipment					
12b Payoff Bank Loan (Non SBA Assisted)				C Furniture & Fixtures					
12c Other Dep. Payments (Non SBA Assisted)				D Accounts Receivable					
13 All Other				E Inventory					
14 Total Loan Requested		\$		F Other					
Term of Loan				Total Collateral	\$	\$	\$		
V. Previous Government Financing (If you or any proprietor or affiliate have ever received Government Financing, including SBA, complete the following)									
Name of Agency		Amount	Date of Receipt	Approved or Declined	Balance	Status			
		\$			\$				
		\$			\$				
		\$			\$				
VI. Previous SBA Financing Check One: ☐ 1. No ☐ 2. Repaid Other ☐ 3. Present Borrower 4. Loan Number of 1st SBA Loan									
VII. Obligations (Provide the following information on all obligations: debts, contracts, notes, and mortgages secured or unsecured by all assets in terms of \$500.00 or more and report to SBA any other debts which appear with debt balance sheet each item)									
To Whom Owed	Original Amount	Original Date	Present Balance	Rate of Interest	Maturity Date	Monthly Payment	Security	Current or Delinquent	
	\$		\$			\$			
	\$		\$			\$			
	\$		\$			\$			
	\$		\$			\$			

All Exhibits must be signed and dated by person signing this form.

1. Submit SBA Form 912 (Personal History Statement) for each person e.g. owners, partners, directors, major stockholders, etc; the instructions are on SBA Form 912.

2. Furnish a signed current personal balance sheet (SBA Form 413 may be used for this purpose) for each stockholder (with 20% or greater ownership), partner, officer, and owner. Social Security number should be included on personal financial statement. Label this Exhibit B.

3. Include the statements listed below: 1, 2, 3 for the last three years, also 1, 2, 3, 4 dated within 90 days of filing the application; and statement 5, if applicable. This is Exhibit C (SBA has Management Aide that help in the preparation of financial statements.)

1. Balance Sheet
2. Profit and Loss Statement
3. Reconciliation of Net Worth
4. Aging of Accounts Receivable and Payable
5. Earnings projections for at least one year where financial statements for the last three years are unavailable or where requested by District Office.

(If Profit and Loss Statement is not available, explain why and substitute Federal Income Tax Forms.)

4. Provide a brief history of your company and a paragraph describing the expected benefits it will receive from the loan. Label it Exhibit D.

5. Provide a brief description of the educational, technical and business background for all the people listed in Section II under Management. Please mark it Exhibit E.

6. Do you have any co-signers and/or guarantors for this loan? If so, please submit their names, addresses and personal balance sheet(s) as Exhibit F.

7. Are you buying machinery or equipment with your loan money? If so, you must include a list of the equipment and the cost. This is Exhibit G.

8. Have you or any officers of your company ever been involved in bankruptcy or insolvency proceedings? If so, please provide the details as Exhibit H. If none, check here: ☐

9. Are you or your business involved in any pending lawsuits? If yes, provide the details as Exhibit I. If none, check here: ☐

10. Do you or your spouse or any member of your household, or anyone who owns, manages, or directs your business or their spouses or members of their households work for the Small Business Administration, Small Business Advisory Council, SCORE, or ACE, any Federal Agency, or the participating lender? If so, please provide the name and address of the person and the office where employed. Label this Exhibit J. If none, check here: ☐

11. Does your business have any subsidiaries or affiliates? If yes, please provide their names and the relationship with your company along with a current balance sheet and operating statement for each. This should be Exhibit K.

12. Do you buy from, sell to, or use the services of any concern in which someone in your company has a significant financial interest? If yes, provide details on a separate sheet of paper labeled Exhibit L.

13. If your business is a franchise, include a copy of the franchise agreement and a copy of the FTC disclosure statement supplied to you by the Franchisor. Please include it as Exhibit M.

CONSTRUCTION LOANS ONLY

14. Include in a separate exhibit (Exhibit N) the estimated cost of the project and a statement of the source of any additional funds.

15. File all the necessary compliance documents (SBA Form Series 601). The loan officer will advise which forms are necessary.

16. Provide copies of preliminary construction plans and specifications. Include them as Exhibit O. Final plans will be required prior to disbursement.

DIRECT LOANS ONLY

17. Include two bank declination letters with your application. These letters should include the name and telephone number of the persons contacted at the banks, the amount and terms of the loan, the reason for decline and whether or not the bank will participate with SBA. In cities with 200,000 people or less, one letter will be sufficient.

AGREEMENTS AND CERTIFICATIONS

Agreement of Nonemployment of SBA Personnel: I/We agree that if SBA approves this loan application I/We will not, for at least two years, here as an employee or consultant anyone that was employed by the SBA during the one year period prior to the disbursement of the loan.

Certification: I/We certify: (a) I/We have not paid anyone connected with the Federal Government for help in getting this loan. I/We also agree to report to the SBA Office of Security and Investigations, 1441 L Street N.W., Washington, D.C., 20418 any Federal Government employee who offers, in return for any type of compensation, to help get this loan approved.

(b) All information in this application and the Exhibits is true and complete to the best of my/our knowledge and is submitted to SBA so SBA can decide whether to grant a loan or participate with a lending institution in a loan to me/us. I/We agree to pay for or reimburse SBA for the cost of any surveys, title or mortgage examinations, appraisals etc., performed by non-SBA personnel provided I/We have given my/our consent.

(c) I/We give the assurance that we will comply with sections 112 and 113 of Title 13 of the Code of Federal Regulations. These Code sections prohibit discrimination on the grounds of race, color, sex, religion, marital status, handicap, age, or national origin by recipients of Federal financial assistance and require appropriate reports and access to books and records. These requirements are applicable to anyone who buys or takes control of the business. I/We realize that if I/We do not comply with these non-discrimination requirements SBA can call, terminate, or accelerate repayment of my/our loan. As consideration for any Management and Technical Assistance that may be provided, I/We waive all claims against SBA and its consultants.

I/We understand that I/We need not pay anybody to deal with SBA. I/We have read and understand Form 394 which explains SBA policy on representatives and their fees.

For Guaranty Loans please provide an original and one copy (Photocopy is Acceptable) of the Application Form, and all Exhibits to the participating lender. For Direct Loans submit one original copy of application and Exhibits to SBA.

(It is against SBA regulations to charge the applicant a percentage of the loan proceeds as a fee for preparing this application.)

ASSISTANCE

List the names of attorneys, accountants, appraisers, agents, or other persons rendering assistance in preparation of this form. Check here if none: ☐

Name and Occupation	Total Fees Paid
Address	Fees Due
Name and Occupation	Total Fees Paid
Address	Fees Due

If you make a statement that you know to be false or if you overvalue a security in order to help obtain a loan under the provisions of the Small Business Act, you can be fined up to \$5,000 or be put in jail for up to two years, or both.

Signature of Preparer if Other Than Applicant

Print or Type Name of Preparer

Address of Preparer

If Applicant is a proprietor or general partner, sign below

By _____ Date _____

If Applicant is a corporation, sign below

Corporate Seal _____ Date _____

By _____ Signature of President

Attested By _____ Signature of Corporate Secretary

Mr. MAVROULES. We will continue. Mr. Ryan, please begin your testimony.

**TESTIMONY OF WILLIAM F. RYAN, BUSINESSMAN/ATTORNEY,
NEW ORLEANS, LA**

Mr. RYAN. My name is William Ryan.

Mr. Chairman and members of the committee, it is a pleasure to be here today.

I am a businessman and an attorney in New Orleans, LA. I have, since 1975, been actively involved in veterans' affairs. I have served as a member of the Louisiana Department of Veterans' Affairs; chairman of the Louisiana Vietnam Veterans' Leadership Program member of the Veterans' Administration Committee for Employer Support of Veterans' Employment; and in 1984, I was awarded the U.S. Small Business Administration's Advocate of the Year for the State of Louisiana.

In 1978, I was fortunate to be able to secure an SBA guaranteed loan from the Hibernia National Bank in New Orleans. With the proceeds of this loan I went out and bought several franchises and ended up with 78 employees of mine. Unfortunately, the loan tied up all my collateral which did not enable me to expand my operation and acquire additional businesses. Fortunately, the businesses were very successful. We sold the businesses and I repaid the loan in 3 years.

I have had numerous opportunities to deal with the Small Business Administration and its veteran programs. I believe the Small Business Administration and its Special Consideration Program for Veterans is a worthwhile program. However, I do believe that the program has created unwarranted expectation levels among veterans, and particularly Vietnam and disabled veterans. They have not been able to perceive exactly what the Small Business Administration can and cannot do. The expectation levels are substantially higher than the delivery level, which has created substantial confusion.

I believe that the veteran can best be served by the Small Business Administration through its continued funding and further development of the Small Business Development Centers. The Small Business Development Centers are capable of: (1) Developing special veterans training programs; (2) assisting veterans with other governmental agencies and State governments; (3) assisting veterans in the preparation of their business plans and loan applications; (4) hiring and training Veterans Affairs Officers for local districts and major branch offices; and (5) providing specialized publications for veterans.

I believe the role of the Small Business Administration as it pertains to veterans should be processing veteran loan applications on a priority basis, assisting in the establishment of small business seminars and funding major research programs through the Small Business Development Centers to assess the economic condition, self-employment aspirations, and the business skills of veterans.

I do not believe that the Small Business Administration should be involved in a direct loan program for Vietnam era and disabled veterans.

Furthermore, I believe the Special Consideration Program for Veterans should provide them with the opportunity to secure Federal contracts that are presently available for other minority-owned businesses and possibly—I am not sure of this—women-owned businesses.

I believe that the veterans' organizations themselves—the American Legion, the AMVETS, the Vietnam Veterans of America, the Veterans of Foreign Wars, and Disabled American Veterans, and Paralyzed Veterans, among others, should be the pivotal groups to assist veterans in small business.

These groups should be assisted by the Small Business Administration and its Small Business Development Centers. However, the Small Business Administration should play the role of a facilitator rather than a delivery agent of direct services for veterans.

Mr. Chairman, members of the committee, this concludes my prepared statement and I will respond to questions when you have them.

Mr. MAVROULES. Thank you very much, Mr. Ryan.

Mr. David, if you would conclude the panel with your testimony, please.

**TESTIMONY OF ROBERT E. DAVID, EXECUTIVE DIRECTOR,
SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION**

Mr. DAVID. Mr. Chairman and distinguished members, I am Robert David, executive director of the South Carolina Employment Security Commission. I have with me Mr. Robert Mellon, a director for the South Carolina's Technical Education System.

Our agency, along with Technical Education, received \$138,000 from SBA and the Labor Department to conduct a veterans' program to recruit and train disabled veterans, recently separated veterans, and Vietnam veterans for small business entry.

The South Carolina Employment Security Commission conducted the recruitment effort for this program which found some 400 interested veterans in less than 1 month. From this group, 60 were selected for training. We have a written report which summarizes the project up until this time and we ask that it be included into the record, Mr. Chairman.

Mr. MAVROULES. Without objection.

[The document follows:]

SOUTH CAROLINA STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

VETERAN'S ENTREPRENEURIAL DEVELOPMENT PROGRAM

I N T E R I M E V A L U A T I O N

Presented to the

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS

SUBCOMMITTEE ON GENERAL OVERSIGHT AND THE ECONOMY

April 30, 1986

A Joint funding venture of the

UNITED STATES DEPARTMENT OF LABOR

and the

SMALL BUSINESS ADMINISTRATION

BACKGROUND

South Carolina, like many states has experienced a decline in the number of job opportunities that manufacturing companies historically provided. The shrinking manufacturing job market has prompted individuals and agencies in South Carolina to look for alternative job creation mechanisms to insure the economic growth and development of our state and to insure our citizens have opportunities to work.

Broad generic activities to impact "small business" job creation and state and local economic development are under way in South Carolina. Training by the Technical Education System to encourage entrepreneurial development and small business growth is one example. Numerous other examples exist. The Small Business Development Centers are offering assistance to business owners through counseling, product development research, business plan development, etc. The Chambers of Commerce are sponsoring business management seminars and workshops. The State Development Board publishes a business formation and expansion manual and offers a buyer/supplier match service. State agencies co-sponsor major expositions for export opportunities and procurement opportunities. Major emphasis is being placed on developing South Carolina as a tourist state. The Jobs and Economic Development Authority was created by legislation to seek venture capital and provide seed capital for business starts. The concept, "MAKE A JOB, DON'T TAKE A JOB" reflects the philosophy of the types of initiatives being encouraged in South Carolina.

The Veteran's Entrepreneurial Development program is an example of directing our efforts at a target group. It is an example of the targeting which ultimately must be accomplished comprehensively and systematically in order to generate those jobs and stimulate the economy. Targeted, focused training is imperative in entrepreneurial/small business development.

The veteran group was targeted for the following reasons:

- Veterans, for the most part, while in service receive some specialized skills training which may be marketable through a small service type business.
- Veterans develop some understanding of discipline, and discipline is a recognized key ingredient in successfully managing one's own business.
- Veterans who start a small business are likely to employ other veterans as the business grows.
- Start up capital in the form of a direct loan or a guaranteed loan is available for qualified veterans from the Small Business Administration.

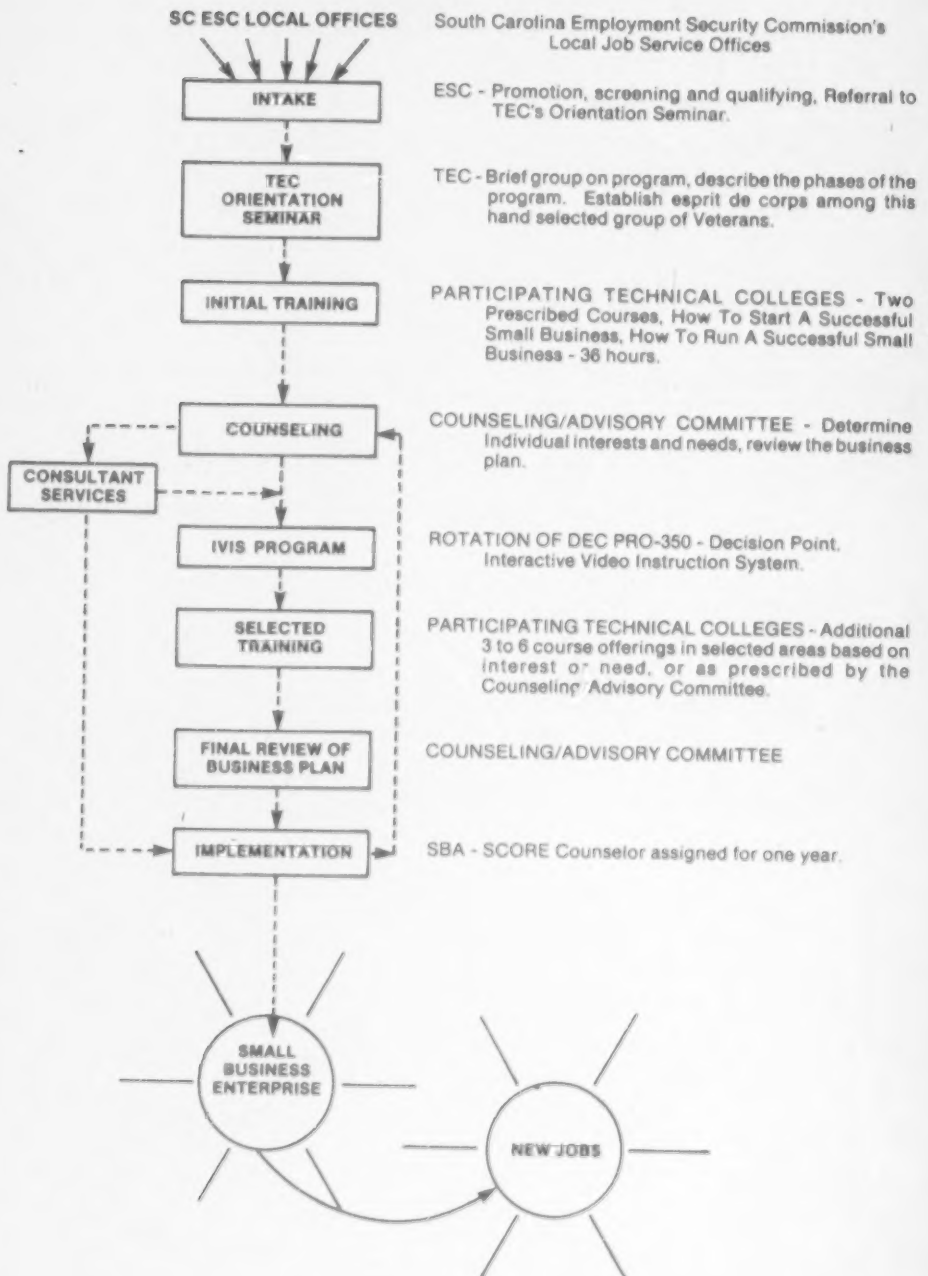
- The Department of Labor and the Small Business Administration had available funding under Title IV-C for veteran training and enough interest in this program as a national pilot project to fund our proposal.

The proposal was developed using the following criteria intended for veteran participation:

- Participants must have a skill or marketable idea.
- Participants must have financial ability to secure a conventional or SBA loan.
- Participants must have made the decision to be their own boss.
- Participants must complete thirty-six hours of prescribed training to be eligible for continued program participation.

This program is intended to be a cooperative effort, pooling the expertise of the State Board For Technical and Comprehensive Education, the Small Business Administration, The State Employment Security Commission and six Technical Colleges in an effort to promote Entrepreneurial Development in South Carolina. The Veteran's Entrepreneurial Development Program consists of eight comprehensive components graphically outlined on the next page, and narratively described on the pages following the outline.

State Board for Technical and Comprehensive Education's Veteran's Entrepreneurial Development Program



PROGRAM DESIGN

PROMOTION AND INTAKE

It was intended to be the responsibility of the State Employment Security Commission to identify qualified veterans for this program and make appropriate referrals to the participating technical colleges via a joint orientation seminar.

This process was intended to include the following:

- Promotion of the Veterans Entrepreneurial Development Program to draw applicants.
- Development of the selectivity criteria (with joint participation from the SBA, ESC and TEC).
- Selection of 10 veterans for each of the six initial participating technical colleges.
- Referral of the veterans to a joint orientation seminar to be conducted in Columbia, South Carolina.

ESC - It was intended that the Employment Security Commission as the grant recipient, serve as the Administrative Agency and prepare all reports required by the funding agencies.

State TEC will be responsible for compiling the data from the six participating technical colleges and providing ESC with the training, counseling and expenditure information necessary for reports required by the funding agencies.

The participating TEC colleges will be responsible for submitting, in writing by specified dates, all information on training, counseling and expenditures, to the State TEC office, which is required by the funding agency.

ORIENTATION SEMINAR

STATE TEC - It was intended that the State Board for Technical and Comprehensive Education be responsible for developing and co-sponsoring the Orientation Seminar to be held in Columbia at a specified date prior to the actual training effort.

It was intended that the Orientation Seminar include the sixty selected veterans, representation from the six participating TEC colleges and the State TEC office. The Orientation was to include a welcome and motivational address to establish esprit de corps and describe the mechanics of the program.

It was intended that participating technical colleges send representation to the initial Orientation Seminar to meet and welcome the selected veterans and to enroll the respective ten veterans for their college training program.

INITIAL TRAINING

The participating technical college will provide one course on how to start a successful small business, and how to run a successful small business, both consisting of six, three hour sessions totaling thirty-six hour of instruction for the Initial Training phase of this program. These programs were designed to be general in nature and cover subject information appropriate for anyone embarking on their first business ownership venture.

COUNSELING/ADVISORY TEAM

It was intended that the participating Technical College establish a counseling/advisory team consisting of the following:

- 1 member from the college's Business Department,
- 1 member from the college's Continuing Education Dept.,
- 1 member from the college's Career Counseling Center, and
- 1 member from the SBA, (SCORE).

The intended purpose of this team is to provide overall counseling support services as well as to assist the veteran in the prescribed training selection process and development of his or her business plan. As the veteran requires specific assistance in selected areas, it was intended that the Counseling/Advisory Team refer the participant to existing resources such as the Small Business Development Centers, Business Technology Centers, Business Assistance and Services Information Center, Jobs and Economic Development Authority, Small Business Administration and the Office of Small and Minority Business. It was intended that consultant services be prescribed or purchased where specific, targeted deficiencies are identified. Often, the small business person will face critical decisions that are "business specific" which are not addressed by courses and services provided. As this occurs, the TEC college will have available the resources to either provide or purchase the technical expertise critical to the success of the potential small business person.

SBA - It was intended that the Small Business Administration provide one SCORE representative to serve on each of the participating TEC college's Counseling/Advisory team.

SELECTED TRAINING

It was intended that the counseling/advisory team discuss candidly with the participating veteran his or her present position relative to the specific interests or training needs, after or near completion of the initial training phase. The counseling/advisory team would then help to identify three to six training offerings which will best satisfy the veterans individual training needs and schedule.

IVIS PROGRAM - DECISION POINT
(IVIS-Interactive Video Instruction System)

It was intended that the participating technical colleges be responsible to coordinate with the State Board for Technical Education for moving and setup of the PRO 350 Digital interactive computer system to permit each veteran the opportunity to participate in the Decision Point program.

FINAL REVIEW OF BUSINESS PLAN

It was intended that the counseling/advisory team participate in the final review of the business plan through a critique of the written plan and oral presentation of the participating veteran.

It was intended that the Small Business Administration assign a SCORE counselor to each veteran who intends to present a business plan to the counseling/advisory team. The counselor may assist in the development of the business plan and be present at the business plan review, but not be an active participant in the critique or defense of the business plan. It was intended that the SCORE counselor be assigned to that veteran for a period of one year if the veteran decides to implement his or her business plan within six months following the final review.

INTERIM EVALUATION RESULTS

The State Board for Technical and Comprehensive Education received a letter on April 14, 1986 from Committee Chairman Nicholas Mavroules, (enclosure I), requesting information and testimony concerning South Carolina's Veteran's Entrepreneurial Development Program. As a result, a participant evaluation instrument, (enclosure II), was prepared and mailed to the sixty selected veterans.

By Friday, April 25, thirty-one evaluations had been received. The following is the compilation and interpretation of the evaluation data:

PROMOTION AND INTAKE

The South Carolina Employment Security Commission announced the Veteran's Entrepreneurial Development Program via a press conference. News media personnel representing television, newspapers, and radio stations attended the press conference. Press releases prepared by ESC were distributed statewide. Representatives from the Technical Education System participated in radio and television talk shows to further promote the program.

The announcements told veterans interested in starting their own business to contact the Veterans Employment Representative, (LVER) at their local Job Service Office. The Employment Security Commission received over four hundred inquiries. One hundred thirty-four actual application packages were received for consideration for program participation. Sixty qualified veterans were selected from the applicants.

The data collected from an interim evaluation indicates that thirty of the thirty-one respondents received application packages from their local Job Service office and 72% felt as though the application package accurately described the program.

The participating Technical Colleges geographically are located in the upper state, central state and along the eastern coastline. Five of the six participating colleges are near military installations. The exception is Greenville Technical College which is located in the major metropolitan area of the upper state. The majority of the program participants attend the college nearest their home. Enclosure III shows where the program participants live. Enclosures IV through IX show the participating college location and participant location.

ORIENTATION SEMINAR

The orientation seminar was held on January 6, 1986. Fifty-four veterans participated in the seminar (enclosure X), where they heard addresses by state agency executive directors, Honorable Richard Riley, Governor of South Carolina and successful business owners.

Ninety percent of the interim evaluation respondents attended the orientation seminar of which the majority commented that the seminar was meaningful and impressive.

INITIAL TRAINING

The initial training was mandatory; eighteen hours on how to start and eighteen hours on how to run a successful small business. This training was selected to insure a baseline understanding of the fundamentals of the subject matter by all participants.

The veteran participant was asked to evaluate the initial training activities on a one to ten scale, one being ineffective and ten being most effective. The initial training evaluation detail included the instructor, presentation, material/content, facility, and class schedule.

The respondents overall evaluation of the two initial training courses are as follows:

<u>How to Start a Successful Small Business</u>	8.4
<u>How to Run a Successful Small Business</u>	8.6

Evaluation of the instructor showed no significant difference between the two courses. Of significance, material/content evaluation was .6 higher for How To Run a Successful Small Business than for How To Start a Successful Small Business. Evaluation of facilities, presentation and class schedule showed no significant differences between courses.

COUNSELING/ADVISORY TEAM

The program participants were asked if they had met with their respective counseling/advisory teams, and to evaluate the effectiveness of the counseling/advisory team using the same one to ten scale mentioned above. Thirty-two percent of the respondents indicated that they have met with their counseling/advisory team and collectively gave a 7.6 effectiveness rating to the counseling received.

A more detailed and comprehensive evaluation of the effectiveness of this critical aspect of the program will be performed in the final evaluation.

SELECTED TRAINING

Participants enrolled in selected training courses to satisfy individual needs and interests. The interim evaluation respondents were asked to identify selected training courses completed and rate the training activities using the same rating criteria used in evaluating the initial training. Forty-one percent of the respondents indicated completion of at least one selected course. The overall "selected training" rating was 8.9, a very positive indication that the business specific selected training was both of significant value and interest to the veteran's overall training needs.

As expected during an interim evaluation, many participants may still be in the process of determining their additional course needs. Consequently, until the final evaluation, the overall effectiveness of each additional course selection cannot be fairly evaluated.

IVIS PROGRAM - DECISION POINT

(IVIS-Interactive Video Instruction System)

The interactive video instruction system consists of a digital Pro-350 computer which interacts with a laser disc video player. The CRT, (monitor, or screen) is touch sensitive, minimizing the need for typing skills or keyboard activity. Decision Point is a training program which requires the participant to make ten key business decisions based on information provided in the courseware. The IVIS program represents the state of the art in computer assisted instruction. The system is being rotated among the participating colleges.

Eleven percent of the respondents have completed the IVIS program. The overall rating, based on content, usefulness, real life application, computer accessibility and adequacy of facilities for the IVIS program was 8.1. Technical problems with this system reduced the availability of this component to many of the veterans. The final evaluation will produce a more meaningful interpretation of its value.

FINAL REVIEW OF BUSINESS PLAN

As of April 28, nine of the thirty-one respondents had completed a business plan. Of those nine, two had their business plans reviewed by the counseling/advisory team. None of the nine veterans with business plans had utilized the Small Business Development Center in developing their plans. Of those not yet having completed a business plan, nineteen, or all but two respondents indicated that they intend to complete a plan.

Nine respondents indicated that they are presently seeking funding for their business plans. The respondents identified four categories of funding sources being sought. Of the four funding sources, conventional loans from commercial banks are the most sought after at forty-one percent, guaranteed loans from the SBA are next at twenty five percent, followed by direct loans from the SBA and other sources such as private investors both at seventeen percent.

Forty-eight percent of the respondents indicated they presently manage their own business. Of that forty-eight percent, four respondents or twenty-seven percent received funding for their business from conventional sources and eleven respondents, or seventy-three percent listed other funding sources for their businesses such as savings and private investors.

As part of their program, eight veterans requested the assistance of a SCORE counselor and as of the interim evaluation, two had received SCORE assistance.

Fifty-four percent of the respondents indicated that they plan to start a business within six month of program completion.

Eighty-four percent of the respondents recommended this program be continued and offered to other veterans in South Carolina and other states. Three percent of the respondents did not recommend continuation and thirteen percent said it is too early to evaluate.

CONCLUSIONS

As in any interim evaluation, additional analysis will be necessary to effectively evaluate the program achievements. A final evaluation will be performed to meet this need. Overall, the program appears to be valued highly by the respondents with eighty-four percent recommending that this program be continued in South Carolina and expanded to veterans in other states.

INDEX OF ENCLOSURES

- I Letter of invitation to testify
- II Interim evaluation instrument
- III Program participant geographical distribution
- IV Beaufort Technical College and
participant distribution
- V Greenville Technical College and
participant distribution
- VI Horry-Georgetown Technical College and
participant distribution
- VII Midlands Technical College and
participant distribution
- VIII Sumter Area Technical College and
participant distribution
- IX Trident Technical College and
participant distribution
- X Orientation Agenda

ENCLOSURE I

AP 14 86

NICHOLAS MAVROULES, MASSACHUSETTS
CHAIRMANBERNLEY GOSSEL, IDAHO
NORMAN DIXLEY, VIRGINIA
JIM COOPER, TENNESSEE
JIM CLAY, VIRGINIA
JOSEPH P. ADDARIO, NEW YORK

United States House of Representatives
Committee on Small Business
Subcommittee on General Oversight and the Economy

H-363 Rayburn House Office Building
 Washington, DC 20515

April 10, 1986

ELVIDO D. CONTE, MASSACHUSETTS
 JOSEPH J. D'AMICO, NEW YORK
 JIM KOLBE, ARIZONA
 STEPHEN B. MANNING, CONNECTICUT

CATHERINE GARRAN
 SUBCOMMITTEE STAFF DIRECTOR
 202-225-8944

JOHN VITALI
 MINORITY SUBCOMMITTEE COUNSEL
 202-225-3430

Mr. Robert Mellon
 Coordinator, Planning and Research
 State Board of Technical Education
 111 Executive Center Drive
 Columbia, South Carolina 29210

Dear Mr. Mellon:

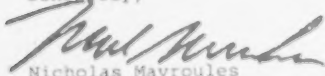
On Wednesday, May 7, 1986, the Subcommittee on General Oversight and the Economy of the House Small Business Committee will conduct a hearing on small business programs for veterans. The hearing will be held in room 2359-A of the Rayburn House Office Building in Washington, D.C., beginning at 9:30 a.m. On behalf of the Subcommittee, I would like to invite you to testify as a witness at this hearing.

In 1974, the Congress amended the Small Business Act to ensure that the Small Business Administration give special consideration to veterans of the Armed Forces in all agency programs. In 1981, this commitment was further strengthened by an agency policy directive which outlined specific goals and objectives for the SBA's Office of Veterans Affairs.

Traditionally, this has been a topic of major concern for the House Small Business Committee. We hope that the testimony presented at this hearing will provide this Subcommittee with a greater understanding of those problems faced by veterans as they seek to establish their own businesses. In addition, we are interested in learning what effort is being made by the Small Business Administration to improve advocacy, management and financial assistance to veterans. We believe that your testimony will provide a valuable perspective which will contribute significantly to our review.

So that we may have time for questions, you are asked to limit your oral testimony to five minutes. If you so desire, your oral statement may be accompanied by a written statement for the record, which may be longer and more detailed. Also, we would like 50 copies of your written statement by April 29th. For myself and the other members of the Subcommittee, I would like to thank you in advance for your cooperation. Should you have any questions regarding this request, or desire additional information, please contact Michael O'Connor of the Subcommittee staff at (202) 225-8944.

Sincerely,


 Nicholas Mavroules
 Chairman

ENCLOSURE II

INTERIM EVALUATION OF THE VETERAN'S ENTREPRENEURIAL DEVELOPMENT PROGRAM

PARTICIPANT

NAME: _____ SS# _____, TELEPHONE _____

TECHNICAL

COLLEGE: _____

STARTING

DATE: _____

PLEASE COMPLETE THE ENTIRE INTERIM EVALUATION. THIS
EVALUATION IS DESIGNED TO GATHER INTERIM INFORMATION
ABOUT THE PROGRAM FOR USE IN PREPARING TESTIMONY FOR A
CONGRESSIONAL HEARING.

=====

HOW DID YOU HEAR ABOUT THE PROGRAM? _____ RADIO, _____ TV, _____ A FRIEND, _____ OTHER
IF OTHER, EXPLAIN _____

DID YOU RECEIVE AN APPLICATION PACKAGE FROM YOUR LOCAL JOB SERVICE OFFICE? _____ YES, _____ NO
IF NO, FROM WHERE DID YOU RECEIVE THE APPLICATION PACKAGE? _____

DID THE APPLICATION PACKAGE ACCURATELY DESCRIBE THE PROGRAM? _____ YES, _____ NO
IF NO, EXPLAIN: _____

ARE YOU CURRENTLY ENROLLED IN THE PROGRAM? _____ YES, _____ NO
IF NO, EXPLAIN: _____

DID YOU ATTEND THE ORIENTATION SEMINAR ON JANUARY 6, 1986 IN COLUMBIA? _____ YES, _____ NO
IF NO, PLEASE EXPLAIN: _____

PLEASE LIST YOUR OPINION OF THE STRENGTHS AND WEAKNESSES OF THE ORIENTATION SEMINAR:

PLEASE RATE THE FOLLOWING PROGRAM ACTIVITIES BY CIRCLING THE MOST APPROPRIATE NUMBER:
RATE ON A SCALE OF 1 TO 10, 1 BEING INEFFECTIVE, 10 BEING MOST EFFECTIVE

HOW TO START A SUCCESSFUL SMALL BUSINESS:

INSTRUCTOR:	1	2	3	4	5	6	7	8	9	10
PRESENTATION:	1	2	3	4	5	6	7	8	9	10
MATERIAL/CONTENT:	1	2	3	4	5	6	7	8	9	10
FACILITY:	1	2	3	4	5	6	7	8	9	10
CLASS SCHEDULE:	1	2	3	4	5	6	7	8	9	10
COMMENTS:	_____									

HOW TO MANAGE A SUCCESSFUL SMALL BUSINESS:

INSTRUCTOR: 1 2 3 4 5 6 7 8 9 10
 PRESENTATION: 1 2 3 4 5 6 7 8 9 10
 MATERIAL/CONTENT: 1 2 3 4 5 6 7 8 9 10
 FACILITY: 1 2 3 4 5 6 7 8 9 10
 CLASS SCHEDULE: 1 2 3 4 5 6 7 8 9 10
 COMMENTS: _____

ADDITIONAL TRAINING COURSES:

COURSE TITLE _____
 INSTRUCTOR: 1 2 3 4 5 6 7 8 9 10
 PRESENTATION: 1 2 3 4 5 6 7 8 9 10
 MTRL/CONTENT: 1 2 3 4 5 6 7 8 9 10
 FACILITY: 1 2 3 4 5 6 7 8 9 10
 CLASS SCHEDULE: 1 2 3 4 5 6 7 8 9 10
 COMMENTS: _____

COURSE TITLE _____
 INSTRUCTOR: 1 2 3 4 5 6 7 8 9 10
 PRESENTATION: 1 2 3 4 5 6 7 8 9 10
 MTRL/CONTENT: 1 2 3 4 5 6 7 8 9 10
 FACILITY: 1 2 3 4 5 6 7 8 9 10
 CLASS SCHEDULE: 1 2 3 4 5 6 7 8 9 10
 COMMENTS: _____

COURSE TITLE _____
 INSTRUCTOR: 1 2 3 4 5 6 7 8 9 10
 PRESENTATION: 1 2 3 4 5 6 7 8 9 10
 MTRL/CONTENT: 1 2 3 4 5 6 7 8 9 10
 FACILITY: 1 2 3 4 5 6 7 8 9 10
 CLASS SCHEDULE: 1 2 3 4 5 6 7 8 9 10
 COMMENTS: _____

COURSE TITLE _____
 INSTRUCTOR: 1 2 3 4 5 6 7 8 9 10
 PRESENTATION: 1 2 3 4 5 6 7 8 9 10
 MTRL/CONTENT: 1 2 3 4 5 6 7 8 9 10
 FACILITY: 1 2 3 4 5 6 7 8 9 10
 CLASS SCHEDULE: 1 2 3 4 5 6 7 8 9 10
 COMMENTS: _____

HAVE YOU MET WITH YOUR COUNSELING/ADVISORY TEAM? ____ YES, ____ NO

IF YES,

PLEASE RATE THE EFFECTIVENESS OF THE COUNSELING: 1 2 3 4 5 6 7 8 9 10

HAVE YOU HAD THE OPPORTUNITY TO USE THE IVIS DECISION POINT COMPUTER PROGRAM? ____ YES, ____ NO

DID YOU COMPLETE THE IVIS DECISION POINT COMPUTER PROGRAM? ____ YES, ____ NO

IF YES, PLEASE RATE DECISION POINT ON:

CONTENT: 1 2 3 4 5 6 7 8 9 10
 USEFULNESS: 1 2 3 4 5 6 7 8 9 10
 REAL LIFE APPLICATION: 1 2 3 4 5 6 7 8 9 10
 COMPUTER ACCESSIBILITY: 1 2 3 4 5 6 7 8 9 10
 FACILITY: 1 2 3 4 5 6 7 8 9 10
 COMMENTS: _____

HAVE YOU COMPLETED A BUSINESS PLAN? ____ YES, ____ NO

IF YES

HAS THE COUNSELING/ADVISORY TEAM REVIEWED YOUR BUSINESS PLAN? ____ YES, ____ NO

DID YOU USE ANY OUTSIDE RESOURCES SUCH AS THE SMALL BUSINESS DEVELOPMENT CENTER TO ASSIST IN YOUR BUSINESS PLAN PREPARATION? ____ YES, ____ NO

IF YES, PLEASE LIST THE RESOURCES UTILIZED AND EVALUATE THEIR ASSISTANCE:

RESOURCE	:	1	2	3	4	5	6	7	8	9	10
_____	:	1	2	3	4	5	6	7	8	9	10
_____	:	1	2	3	4	5	6	7	8	9	10
_____	:	1	2	3	4	5	6	7	8	9	10
_____	:	1	2	3	4	5	6	7	8	9	10

IF YOU HAVE NOT COMPLETED A BUS. PLAN, DO YOU INTEND TO? ____ YES, ____ NO

HAVE YOU REQUESTED A SCORE COUNSELOR FROM THE SMALL BUSINESS ADMINISTRATION? ____ YES, ____ NO

DID A SCORE COUNSELOR ASSIST YOU WITH YOUR SPECIFIC BUSINESS NEEDS? ____ YES, ____ NO

IF YES,

PLEASE RATE THE EFFECTIVENESS OF THE SCORE COUNSELING: 1 2 3 4 5 6 7 8 9 10

ARE YOU PRESENTLY SEEKING FUNDING FOR YOUR BUSINESS PLAN? ____ YES, ____ NO

IF YES, CHECK THE APPROPRIATE FUNDING SOURCE YOU ARE PURSUING:

____ CONVENTIONAL LOAN FROM COMMERCIAL BANK
 ____ GUARANTEED LOAN THROUGH THE SMALL BUSINESS ADMINISTRATION
 ____ DIRECT LOAN THROUGH THE SMALL BUSINESS ADMINISTRATION
 ____ OTHER: _____

ARE YOU CURRENTLY MANAGING YOUR OWN BUSINESS? ____ YES, ____ NO

IF YES, HOW WERE YOU FUNDED?

____ CONVENTIONAL LOAN FROM COMMERCIAL BANK
 ____ GUARANTEED LOAN THROUGH THE SMALL BUSINESS ADMINISTRATION
 ____ DIRECT LOAN THROUGH THE SMALL BUSINESS ADMINISTRATION
 ____ OTHER: _____

ARE YOU GOING TO START A BUSINESS WITHIN SIX MONTHS? ____ YES, ____ NO

WOULD YOU RECOMMEND THIS PROGRAM BE CONTINUED IN SOUTH CAROLINA? ____ YES, ____ NO

WOULD YOU RECOMMEND THIS PROGRAM BE OFFERED IN OTHER STATES? ____ YES, ____ NO

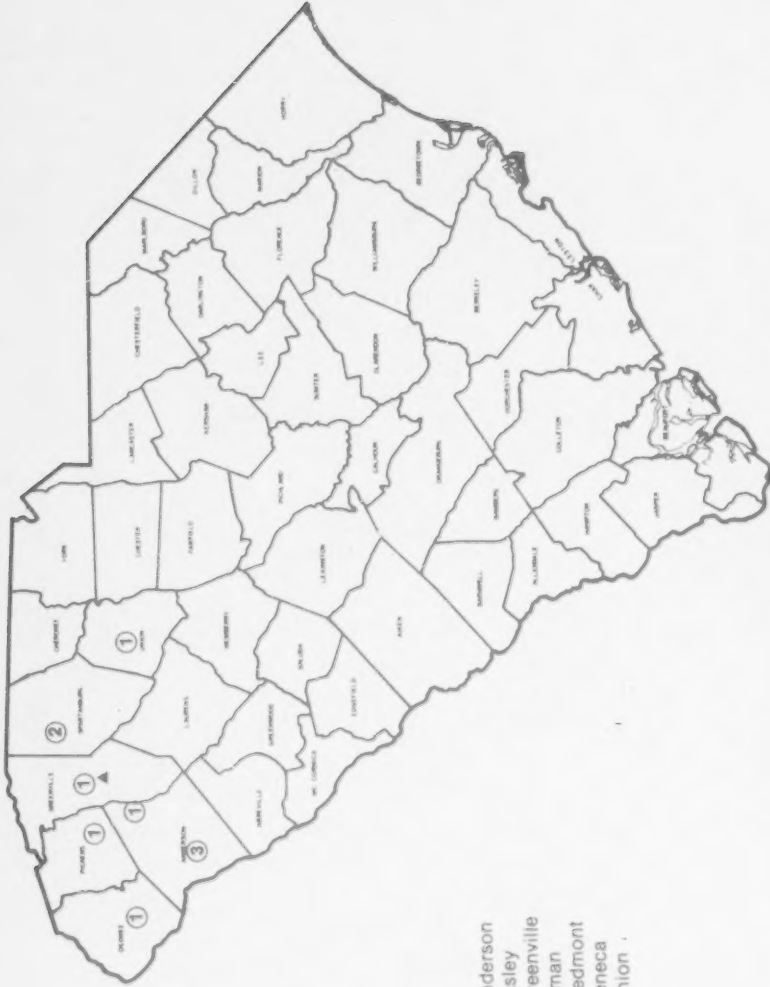
ENCLOSURE IV



4 Beaufort
 1 Charleston
 1 Hardeeville
 1 James Island
 1 Ladson
 1 Ridgeland
 1 Yemassee

▲ Beaufort Technical College
 Beaufort

ENCLOSURE V



3 Anderson
 1 Easley
 1 Greenville
 2 Inman
 1 Piedmont
 1 Seneca
 1 Union

▲ Greenville Technical College
 Greenville

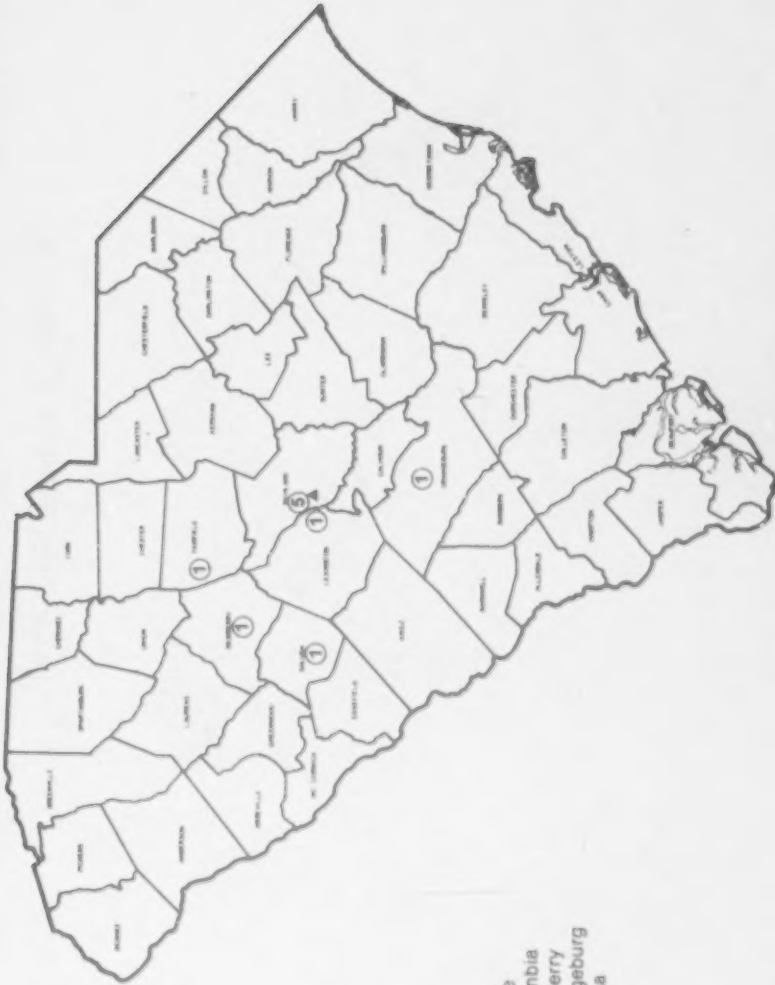
ENCLOSURE VI



- 1 Andrews
- 3 Conway
- 1 Garden City
- 2 Georgetown
- 1 Loris
- 2 Myrtle Beach

▲ Horry-Georgetown Technical College
Conway

ENCLOSURE VII



- 1 Blair
- 1 Cayce
- 5 Columbia
- 1 Newberry
- 1 Orangeburg
- 1 Saluda

▲ Midlands Technical College
Columbia

ENCLOSURE VIII



1 Camden
 1 Chesterfield
 3 Columbia
 1 Lugoff
 4 Sumter

▲ Sumter Area Technical College
 Sumter

ENCLOSURE IX



▲ Trident Technical College
Charleston

- 1 Adams Run
- 3 Charleston
- 1 Cottageville
- 2 Goose Creek
- 1 Ladson
- 1 Mt. Pleasant
- 1 Summerville

ENCLOSURE X

VETERAN'S ORIENTATION SEMINAR

DATE

January 6, 1986

LOCATION

Sixth Floor Conference Room
 South Carolina Employment Security Commission
 1550 Gadsden Street
 Columbia, S.C.

AGENDA

- 10:30 am Welcome and Introduction of Program Partners and Distinguished Guests
 Mr. Robert E. David, Executive Director, S.C. Employment Security Commission
- Address
 Honorable Richard W. Riley, Governor of South Carolina
- Presentation of Special Awards, Governor Riley
- 11:30 am Entrepreneurial Development Training
 Mr. G. William Dudley, Jr., Executive Director, S.C. State Board for
 Technical and Comprehensive Education
- 11:45 am Lunch - Catered
- 12:20 pm Why Education and Training: Hazards and Opportunities of Business Ownership
 Ms. Judy Nye, Consultant, Western Reserve Consulting Group
- 1:00 pm Small Business Development Centers, A Major Resource for Entrepreneurs
 Mr. Bill Littlejohn, State Director, Small Business Development Center
- 1:10 pm Small Business Administration's Role, and Capital Acquisition
 Mr. Phil Black, Veteran's Coordinator, Small Business Administration
- 1:30 pm Business Philosophy for Small Business Owners - Making Your Business Fly
 Mrs. Nettie Dickerson, President Bankair Incorporated and Owner of
 Columbia Aviation Incorporated
- 1:50 pm Importance of Doing it Right - How To Prepare to Succeed
 Mr. Duane Pullen, Owner, Duane's Hallmark
- 2:10 pm The Franchise, A Business Ownership Alternative
 Mr. Austin Cunningham, Entrepreneur, Business Owner
- 2:30 pm Questions from the floor
- 3:00 pm BREAK
- 3:10 pm Meet Your College Coordinator - (Pre-Registration)
- 4:00 pm Adjourn

Mr. DAVID. We also have a video tape which we had planned to show here this morning and we could not get the equipment set up, but it is the kickoff for this program which involves the Governor and many other leaders in South Carolina.

Our economy, as we all know, is undergoing fundamental change. In our State, we have adopted a slogan, "Make a Job, Don't Take a Job." That is why we got involved with this unique program, because the facts show that most of the new jobs are created by small business entrepreneurs. We cannot rely on large and, in some cases, technically outdated industries for the jobs of the future.

The Small Business Administration, for example, points out that between 1976 and 1982, firms with fewer than 20 employees had the highest employment growth in the country; 56 percent of the total employment growth in manufacturing, for example, came from businesses with fewer than 20 employees.

We also know that the No. 1 cause of failure by people starting new businesses is a lack of management skills. It is not a lack of technical skills, which many of our veterans already have, but a lack of management skills that causes most small businesses to fail in the first few years.

That is why we were so excited to try this program which gives a veteran a little extra survival insurance by sharpening their management skills. At this point, we are very excited about what is happening with this program.

A few have completed the initial 36 hours of training. One veteran has started a little trucking business and has hired two people. Another has established a small electrical and mechanical firm and has hired his first employee who was out of work at the time. Some are going into planning and some are going into retail ventures, and others, all kinds of enterprises.

The SBA, the South Carolina's Technical Education System, and the South Carolina Employment Security Commission are helping these 60 veterans start new businesses. And if they hire only 5 employees each over the next several years, we are talking about some 300 new jobs. For an investment of \$138,000, that is a pretty good return on the money; new jobs being created at a cost of \$400 to \$500 apiece.

This program, we believe, is going to provide benefits far beyond the veterans who take part. I believe we are at a point now, Mr. Chairman, where we can report that the program is successful. We can predict success and we recommend this program for other States.

Thank you.

Mr. MAVROULES. Let me thank all of you for your wonderful testimony here this morning. We would like to take a look at that tape when we can set it up sometime. Could you come back another time, perhaps?

Mr. DAVID. Be happy to do it anytime. I think your staff assistant has a copy.

Mr. MAVROULES. OK, very good.

Mr. DAVID. We brought both and I think you will find it very interesting, Mr. Chairman.

Mr. MAVROULES. I appreciate that very much, thank you.

Mr. Parker, I have a couple of questions for you. The old argument has arisen once again to get rid of the SBA and transfer some of its duties to perhaps some other agencies. In the event that that should happen—and I have my serious doubts about that—but should it happen, what would happen to the veterans' offices and the programs for veterans?

Mr. PARKER. As the program is now structured, or the proposal, rather, the Office of Veterans' Affairs, of course, would be discontinued. It would no longer exist because it is now a part of what used to be called the Management Assistance Division. We call it, now, Business Development. So it would not be in the transfer.

Mr. MAVROULES. In other words, you are saying that the Office of Veterans' Affairs would be eliminated?

Mr. PARKER. Eliminated totally. There has been some talk about maybe transferring it as such by itself, Mr. Chairman, or adding it to those functions that will be transferred to Commerce. But the heart and soul—that is, if you will, of our veterans' program—is in furnishing an educational program to the veterans. I am talking about in working with our resources—SBDC's, SBI's, and others, across the Nation, to conduct the conferences, symposiums, and what have you, along with our finance program. That is the heart and soul of the veterans' outreach.

All of that would be eliminated under the proposal.

Mr. MAVROULES. We are going to hear testimony very shortly, and a witness will cite to us that the SBA has failed to spend \$2,680,000 which the Congress has appropriated for veterans' small business outreach and training.

Is that a correct statement?

Mr. PARKER. The appropriation we have from the Congress—specific appropriation—for outreach and designed primarily for conferences, for training of our Veterans' Affairs Officers, is \$1.2 million. Of this, we have spent at the present time roughly a quarter of a million dollars, I believe it is.

As to whether we spend the total amount in carrying out the program before the end of the year, I am not sure. Last year, we did not. We did not spend the total amount. However, that is for direct expenditure from that particular fund.

The dollars spent in our Veterans' Program and those that I have just recited do not include putting on these conferences out in the field, it doesn't include any travel, any mailings, doesn't include any printing, and all of the other things that we do to assist the veteran or to perform that outreach that we have talked about, or working with the resources we have. All of that comes out of our regular budget.

So it is either one pocket or the other is the way we feel, because we know that we spend in excess of the amount that is appropriated—perhaps \$2 to \$3 million on this program.

Mr. MAVROULES. Mr. David, I thought, gave some very startling testimony here this morning. What do you think of the program down there in South Carolina?

Mr. PARKER. Of course, being from South Carolina, I think it is great, Mr. Chairman.

Mr. MAVROULES. Oh, I didn't know that. Let's see if I can set up the same kind of a question for somebody from Massachusetts, about some of the programs we have.

Mr. PARKER. Actually, I think the credit has to be given—a good bit—to the former Assistant Secretary for Veterans' Employment, Billy Plowden, who is a fine Legionnaire and veteran. He is no longer with the Labor Department in Washington, but it was one of his brain child's, along with the groups that he has talked about, with the South Carolina's Technical Education System as well as the Employment Security Division, and SBA. The three working together put this thing together. We didn't have any idea that we would get the 400 persons to turn out so quickly. We screened them, a very severe screening. And one of the points in screening them was that they must have the ability—not total ability, but show some ability to be able to get financing at a later time, because if a person with no chance of ever raising any money or any funds were to come into the program, it would be pretty tough for him to go into business. But I think it is going to work out fine. If it does, we ought to replicate it in other places.

Mr. MAVROULES. Exactly. That was my question to you. If it is working out fine, or will work out fine in South Carolina, why can't we get that thing going throughout the entire country?

Mr. PARKER. I think we should.

Mr. MAVROULES. Thank you, I appreciate that.

Silvio, do you have questions before I proceed with some more here?

Mr. CONTE. I was certainly pleased to hear the testimony of Jim Pechin in complimenting Jim Sanders. I agree with you, he did one hell of a job. He was one of the best administrators we ever had. It is just a shame that he didn't stay on, and likewise for my good friend Mr. Parker. I hate to see you go. We have worked closely together on some of these problems.

You mentioned that pool, the direct loan pool. But that pool is not only for Vietnam veterans. Isn't that the same pool that the minority get their direct loans from?

Mr. PARKER. No, sir; they have a special pool for Vietnam and disabled veterans of \$25 million.

Mr. CONTE. \$25 million?

Mr. PARKER. \$25 million. That is in addition to our \$185 million other direct funds that the Congress appropriated, which would go for other direct lending.

Mr. CONTE. The rest would go for the minority then?

Mr. PARKER. It could go for veterans. A lot of our veterans' loans have come out of the larger fund. The other fund was set up primarily, Congressman Conte, for the purpose of ensuring that if the other moneys ran out, we would have a pool of money that the Vietnam era veteran could come to and get money. This year so far we have only lent \$8 million of that particular pool. We still have sufficient funds in the guaranteed program which they are utilizing.

Mr. CONTE. Of the \$25 million?

Mr. PARKER. Yes, sir.

Mr. CONTE. Thank you, Mr. Chairman, I have nothing further.

Mr. MAVROULES. Just for clarification, Mr. Ryan, in your testimony you say that you do not believe SBA should be involved in a direct loan program for Vietnam era and disabled veterans.

Do you want to explain that to us?

Mr. RYAN. First of all, I guess it is a philosophical statement, Mr. Chairman, that I think the SBA really should be a facilitator of services, and the Small Business Development Centers, which they do fund, should be the ones that are doing all the work in terms of loan processing and assisting Vietnam veterans.

I don't think any Government agency should be giving direct loans because even though they are underwriting criteria of that loan, they cannot deny somebody on the sole basis of a lack of collateral, if I understand it correctly.

But I think if somebody in small business cannot get a guaranteed loan from the Small Business Administration through a bank, his ability to repay that loan is probably very, very slim—if at all. That is a personal statement.

Mr. MAVROULES. Fine.

How do any other members of the panel feel about that statement? He has, of course, suggested an alternative.

Mr. PECHIN. I have never paid a whole lot of attention to the direct loan program. The amount of money—\$25 million—when you break that down to 50 States, and you look at the number of veterans living in each State, is relatively insignificant. The process and the actual regulations for applying for a direct loan oftentimes result in a veteran applicant being unable to get a loan anywhere, because the agency will tell you that in order to apply for a direct loan you must go get two letters of declination. And they say, gee, that is easy, I will go to the bank and ask them for money and they will say no, and I will go to the SBA and they will give me the money. Well, the bank also has to state the reason why, and they have to analyze the loan. Oftentimes there is not even a loan package prepared. It is unfortunate that people look at just getting money rather than going through the process of writing a business plan deciding what they are going to do.

In terms of future borrowing, the loan guarantee program, which is the vast majority of what SBA does anyway, is the only way that most small businesses can get any longer term financing, which is going to require the bank's participation, the SBA's criteria, and the bank's criteria—and not that much different to start with.

I think that the \$25 million, of which so far they have only been able to spend \$8 million, raises an awful lot of expectations and probably does more damage than it does good.

Mr. MAVROULES. That takes me to part of your testimony, Mr. Pechin. You stated that in fiscal year 1984 only \$660,000 of \$1.83 million appropriated for the operation of veterans' programs within SBA was actually spent. Then you state that in 1985, only \$230,000 of \$1.68 million was spent.

Do you have any information as to how much of this account has been utilized during this year, and do you have any suggestions if indeed your figures are correct, where we could use some of these funds for the veterans?

Mr. PECHIN. The needs of the program among the veteran community are enormous in terms of training if they attract 100,000. I

am a little bit confused about how using the regular budget and leaving a special appropriation for veterans' programs alone will result in better services for veterans. The types of activities that should be taking place, the kind of educational information provided, the amount of assistance in preparing loan packaging.

When you go out and you pay for services, the people that you are paying have a vested interest in the outcome. First of all, they want to get paid. It is really difficult for a person starting a small business to find an unbiased source of information. The agency could play that role. I am literally at a loss to understand why they would send money back when the needs and the demands on the program already greatly exceed what they can currently do.

Maybe there are greater needs in the overall budget to be able to turn money back at the end of the year, and maybe that pleases OMB somehow, but I don't think it provides any services to veterans.

Mr. MAVROULES. According to your testimony here, Mr. Pechin, you state that Vietnam veterans are not going to receive their business training in Harvard Business School.

Mr. PECHIN. Correct.

Mr. MAVROULES. Where do you feel would be the most appropriate place for veterans to receive this training? And do you believe that the SBA Veterans' Office is making its best effort to make this possible?

Mr. PECHIN. I think that through the conduct of training sessions and especially by showing successful Vietnam veterans who have started businesses, that you can do an awful lot to assist veterans in starting businesses and teach them what goes into that.

Probably one of the best things the agency has done is start holding veterans' business conferences. I think that the agency itself is a little overwhelmed with the degree of turnout and the amount of interest expressed by the veteran community in this.

There is also an intangible that I think is often overlooked in terms of the function of the agency. As has been stated repeatedly, the failure rate for new small businesses is very high. Dun & Bradstreet says four out of five will fail within the first 5 years. These four out of five failures oftentimes result in people losing their homes, losing whatever money they have been able to accumulate in terms of equity, and cause enormous personal hardship as well as the effect on the overall economy of people going into bankruptcy and what that does to the business environment.

Again, there is a need for education, because oftentimes a business can evaluate their chances for success on the front end and make a decision about whether or not to invest their entire life savings in something like that. The agency is in an ideal position to be able to provide the kind of information necessary to make an intelligent informed decision—at the very least, reduce the failure rate among Vietnam veterans' started businesses.

Mr. MAVROULES. Mr. Parker, I have a final question for you.

Do you believe that the SBA is meeting its mandate to meet the needs of veterans in the fields of training and special consideration?

Mr. PARKER. Mr. Chairman, we feel that we are giving a meaning to special consideration and giving a program that we think is

reputable, that we think is good; but we think it certainly can be improved.

Our basic services at the delivery level—I am talking about at the district and branch office level—are delivered by the Small Business Development Centers, our Small Business Institutes, community and junior colleges, universities, all of those working together with us, and other parts of the private sector to put on these conferences and educational processes that Mr. Pechin is talking about, and others.

I think we are doing a pretty fair job at this. Certainly there can be improvements. There is certainly a need for new initiatives or innovative approaches.

Mr. MAVROULES. Do you have any new ideas that we can perhaps recommend?

Mr. PARKER. This South Carolina project as we have called it, we think, is an innovative approach to trying to get direct training. And, it should serve as an example perhaps to the private sector to do some of the same things and to SBA and the other Government agencies, too.

Mr. MAVROULES. Thank you very much, gentlemen, I truly appreciate your very candid testimony here this morning.

Mr. PARKER. Thank you for the opportunity.

Mr. MAVROULES. You have been very helpful.

Mr. PECHIN. Thank you, Mr. Chairman.

Mr. MAVROULES. I will now invite our next panel: Seymour Leventman, Department of Sociology, Boston College; Frank J. Falkowski, executive director, Vietnam Veterans' Leadership Program of the Niagara Frontier, Buffalo, NY; John Mather, administrator, New York State Small Business Development Center, Albany, NY, and Andrew H. Farris, small business director, Georgia Vietnam Veterans' Leadership Program, Atlanta, GA.

Welcome, gentlemen; good morning to you.

Mr. Leventman, would you like to proceed with your testimony?

TESTIMONY OF SEYMOUR LEVENTMAN, PROFESSOR, DEPARTMENT OF SOCIOLOGY, BOSTON COLLEGE, CHESTNUT HILL, MA

Mr. LEVENTMAN. Thank you very much.

Thank you very much, Mr. Chairman. My name is Seymour Leventman. I am a professor of sociology at Boston College. First, I would like to congratulate this committee in its concern for the well-being of Vietnam veterans. And I would also like to thank you, Mr. Chairman, for the opportunity to share some of my views concerning the plight and problems of Vietnam veterans in American society today.

My remarks here today are, you might say, of a general nature. For the past 10 years, I have been studying and writing about Vietnam veterans and their problems and concerns. I have supplied the committee with copies of at least two of my publications.

I became interested in Vietnam veterans in the early 1970's when they appeared as students in my classes at Boston College. I may say, Mr. Chairman, that one of the most outstanding of those students was Paul Camacho. I found the veterans to be a very special and especially victimized group. As a sociologist, I became in-

terested in studying veterans and the kind of society that would first send men off to war for unclear purposes and then victimize them upon their return home.

Now, I won't belabor these hearings this morning with facts and figures and so on about why Vietnam was different and how in the various specific ways in which Vietnam veterans were victimized. I can go into that later, perhaps. But I would say that in 1975, I wrote that nothing reflects so much of what is wrong with American society as its treatment of Vietnam veterans.

Since then, one can only reiterate that, you might say, the negative legacy of Vietnam lies more in us than in veterans. I make that point, Mr. Chairman, because veterans—Vietnam veterans especially—have often been blamed for their own plight.

Most recently, Mr. Chairman, we see efforts around us to rewrite history so that it comes out right. That is, that we refight the Vietnam war so that we clearly win it. You might refer to this, as some have, as the Rambo syndrome.

But these efforts to transform an inglorious episode into a glorious one will not in themselves assist Vietnam veterans in their special needs for jobs, livable income, decent housing, medical care, and all the things that go into making for a decent and normal life.

If America is genuinely serious about attaching honor to the Vietnam experience, these efforts must be reflected in public policies designed to assist veterans in becoming more a part of that mainstream for which they literally sacrificed their lives and their sacred honor.

Such policies must also assist veterans in regaining their sense of human dignity, and the sense of being a part of a lost generation which they sorely miss, and over which many veterans inwardly grieve—they feel they have been overlooked by history, robbed of their generational identity.

Finally, Mr. Chairman, I would strongly recommend that one such policy would be to vitalize the Small Business Administration and its programs. Because of the unique scope and nature of the economic activities that the SBA envisions, this agency, I think, is uniquely situated to assist veterans in various kinds of economic startup projects, for example. Ultimately, the SBA could help veterans realize one important aspect of the American dream—that is the ideal of individualism and self-reliance as embodied in economic entrepreneurship.

Thank you very much, Mr. Chairman.

Mr. MAVROULES. Thank you very much.

We will continue. Mr. Falkowski, please proceed.

TESTIMONY OF FRANK J. FALKOWSKI, EXECUTIVE DIRECTOR, VIETNAM VETERANS' LEADERSHIP PROGRAM OF THE NIAGARA FRONTIER, INC., AND RESEARCH ASSOCIATE, SMALL BUSINESS DEVELOPMENT, STATE UNIVERSITY COLLEGE AT BUFFALO, NY

Mr. FALKOWSKI. Thank you, Mr. Chairman.

My name is Frank J. Falkowski, and I am a two-tour Vietnam combat veteran. I currently serve as executive director of the Vietnam Veterans' Leadership Program in western New York, as well

as a small business consultant for the State University of New York.

The purpose of this testimony is to illustrate New York State's success in veterans' Small Business Development linkages and to show cause for the continuation and extension of this effort on behalf of Vietnam-era veterans in cooperation with the U.S. Small Business Administration. This is also our chance to map out future areas of veterans' small business reform and to request equitable consideration for Veterans' Small Business Development Programs in light of the continued plan for cutbacks if not outright extinction of the SBA.

Now, during the fall of 1984, the VVLP and the State University of New York Western Regional Small Business Development Center, which is housed at Buffalo State College, began an unfunded pilot program designed to provide business planning and consulting services to Vietnam era veterans. The pilot was established to develop an outreach and screening mechanism that would enable VVLP to assist those veterans who had the need for such services. The screening process also allowed the VVLP to provide the most effective type of business assistance upon the first direct contact with the veteran entrepreneur. The efficiency and effectiveness of this program has been demonstrated in the service reports generated by both the SBDC in Albany, NY and the VVLP to their respective funding agencies.

This pilot project enabled the VVLP to assist a 10-county area of western New York, which is about 60,000 Vietnam-era veterans. This included veterans who presently own businesses or who were considering going into business.

This outreach and assistance effort informed Vietnam-era veterans in the target area about the availability of SBDC services; it provided veterans with counseling and technical expertise on small business topics; conducted workshops designed to assist Vietnam era veterans in the development of their small business management skills; it formed critical linkages with individuals and economic development agencies that had the ability and the desire to assist in establishing Vietnam-owned small businesses; and we promoted a future expansion of the Business Assistance Program for Vietnam veterans among the State University in New York SBDC's, which has 13 offices across New York State. The potential for this successful Business Assistance Program for Vietnam-era veterans is enhanced by the outstanding resources that both participating organizations bring to this project, particularly the strength of our computer data banks statewide, networking systems, and the experience resulting from the pilot project, as well as a firm commitment to providing continued service to the Vietnam veterans.

Now, currently the Buffalo State College SBDC are strategically located on the campuses across New York State. Like I said, this brings together the resources of the whole New York State University system, the private sector, and government at all levels. These resources in turn are utilized to counsel and train small businesses in resolving organizational, financial, marketing, technical, and other problems that the Vietnam veterans may encounter. The Center is staffed by professionals with the knowledge and experi-

ence to provide expert counseling and training to address the many obstacles inherent in the startup and operation of a small business.

Mr. MAVROULES. Would you refrain just for one second, I want to ask a question before it gets away from me.

In the paragraph that you are now reading, how is that funded—the New York State University system? Where do they get their funding?

Mr. FALKOWSKI. The State University of New York is funded—

Mr. MAVROULES. The State of New York is funding that?

Mr. FALKOWSKI. That is correct, sir, with a match from the Small Business Administration.

Mr. MAVROULES. I didn't mean to throw you off.

Mr. FALKOWSKI. No problem. Counseling sessions are scheduled immediately upon request, data assistance services are usually delivered on the same day as the request and the group training activities are provided when and where the need arises.

The expected benefits of this project had a more far-reaching consequence than merely helping veteran entrepreneur initiatives. By assisting Vietnam era veterans to go into business, we found them eager to hire other veterans, allocate resources, and to take a wide range of actions not possible to an individual employee. Moreover, these employment efforts were beneficial not only to the veteran, but equally to the depressed western New York economy, which I might add, has a 40-percent dislocated worker rate of Vietnam era veterans in western New York. During this period the Buffalo VVLP was undergoing a Federal evaluation by ACTION at which time we were advised to contact the SBA's Office of Veterans' Affairs concerning the \$1.83 million specifically earmarked for the veterans' Outreach and Training Program. On September 27, 1985, the SBDC and the Vietnam Veterans Leadership Program submitted a proposal for a statewide Business Assistance Program for Vietnam-era veterans. We were notified in November 1985 that SBA could not act favorably on our request. They claimed that our objectives could be accomplished by already established systems in our area. Unfortunately, Mr. Chairman, our local SBA delivery system has been a mere token service with little or no effective leveraging for Vietnam veterans. In contacting other National VVLP offices and veterans' organizations we heard basically the same complaints. The local SBA efforts to create the basic training needed to enter into small business is a clear example of an unfulfilled need because it affects only a very small number of veterans. Only through local and State SBDC initiatives have we found veterans' small business counseling to be effective.

My purpose here is not to point an accusing finger, but simply to set the record straight on SBA regional endeavors in western New York. The nonfunding of our grant proposal for extended small business outreach services for veterans was clearly in conflict with the SBA's May 14, 1982 policy statement on special consideration for veterans of the Armed Services.

It is our opinion that the request for funds not only would have complemented SBA's existing efforts but would have provided the SBDC mechanism with the most cost-effective service delivery system for veterans' operated outreach and technical assistance. The SBA's failure to spend \$2.68 million over the past 2 years,

money allocated for veterans small business outreach and training, has severely hindered local, State, and national collaborations of resources that would ordinarily give Vietnam veterans an equal chance at the starting line as entrepreneurs, as managers and owners of their own businesses.

Mr. Chairman, the VVLP and the Small Business Development Center of New York State stands willing to assist you and the Congress in any way possible to streamline and cement the fragmentation of the current SBA veterans delivery system.

I would like to point out that your effort will produce a highly important byproduct for all veterans. There are many responsible leaders among the veterans' ranks, but there are many other veterans who have never had a chance to develop their leadership qualities. Entrepreneurship is one of the great training grounds for leaders because to organize and operate a business successfully requires responsible leadership.

In closing, I would like to thank the chairman for holding these important hearings and for giving us the opportunity to speak out on the barriers that restrict business participation by Vietnam era veterans.

Mr. MAVROULES. Thank you very much for your very meaningful participation, Mr. Falkowski. We will get back to you with some questions.

Mr. Mather, if you would proceed, please.

**TESTIMONY OF JOHN MATHER, WORLD WAR II VETERAN, AND
ADMINISTRATOR, NEW YORK STATE SMALL BUSINESS DEVELOPMENT CENTER, ALBANY, NY**

Mr. MATHER. Mr. Chairman, I am a World War II veteran who is honored to be here today as an advocate for Vietnam-era veterans in business. It is my purpose in this testimony to protest what has not been done for Vietnam veterans and propose what should be done for them in conjunction with Small Business Development Centers.

My name is John Mather. I come from Albany, NY.

My advocacy is delivered through my roles as administrator of the New York State Small Business Development Center, comprised of a central office and 13 SBDC's, and as administrator of the SUNY Business Development Services with 32 development centers for business. I am also a director of the New York State Economic Development Council and a member of the New York State District Export Council, appointed by Secretary Baldrige.

The centerpieces of the New York State SBDC efforts are training and one-on-one short-term and long-term counseling for small business entrepreneurs. Working with veterans, especially Vietnam veterans, is one of our highest priorities. We work closely with the Vietnam Veterans Leadership Program. Mr. Frank Falkowski, executive director, VVLP of the Niagara Frontier and the SBDC regional center at the State University College of Buffalo work closely together in providing client services as he has already pointed out. He also serves as a consultant in all my operations statewide.

Though relatively new, the New York State SBDC has provided one-on-one counseling for 284 veterans, 107 of whom are Vietnam

veterans. This year, 1986-87, one-on-one counseling services and training services for Vietnam veterans has been given highest priority at each of the 13 SBDC regional centers.

During the last 18 months, one-on-one counseling resulted in investments by veterans in the amount of \$8,164,000; \$1.8 million of which was by Vietnam veterans. Most of this effort was accomplished in the startup stage of the five SBDC regional centers. With 13 SBDC regional centers in place working with veterans, the results should be, indeed, very dramatic.

Under the protest caption, let me agree with Mr. James Sanders' statement in his directive of May 14, 1982, quote:

There has been a steady increase of concern from the national veterans' service organizations and committees of Congress that in reality, veterans do not receive any "special consideration" as required under Public Law 93-237.

This agency must do more . . .

This is especially important for the Vietnam era veteran who is just beginning to enter the economic mainstream in large numbers.

Management assistance and business training shall be intensified."

That was 1982. We hope that it will be intensified in 1986, 1987.

Last year, the New York State Small Business Development Center submitted a proposal which Mr. Falkowski has already referred to. We were turned down on the grounds that veterans had recourse to other SBA programs.

VVLP has protested to me that during the past 2 years—these numbers have been used before—SBA did not spend the \$2.68 million for outreach and training. They are angry and I think understandably so.

But killing SBA is not an answer. What SBA needs to do is strengthen its veterans' program.

I am submitting a new VVLP-SBDC proposal to SBA; now that a new Director for Veterans' Affairs is in place. It will propose funding for Vietnam veterans' training and one-on-one counseling at each of the 13 SBDC regional centers of the New York State SBDC. And I intend to ask for a dedicated counselor at each one of those locations.

Further, I recommend that such additional funding be provided at each of the SBDC's nationally. You have already heard others speak of the SBDC's and their effectiveness, having a direct interface with veterans, working with them on short term, long term, whatever it takes, at a practical level. Throw all of the brochures and pamphlets aside and get down to the facts of helping them get into business.

While out of anger, some veterans may indeed harbor thoughts about the destruction of the SBA—most would, I think, agree that improved performance, not splitting it up into pieces, is what everyone wants. In fact, it is imperative that SBA survive.

There is a plan advanced by the administration that has been discussed here this morning. I will not repeat that part of my testimony but I do want to take note of the fact that under the plan that was advanced by the administration all the Small Business Development Centers, so vital in providing assistance to veterans, would vanish if the plan were to obtain. There are 45 SBDC's across the United States. I think it is the most practical and immediate way of bringing assistance to those who need it most.

Last year, SBDC's nationally provided one-on-one counseling to a substantial number of entrepreneurs, the equivalent of five marine divisions and training for the equivalent of eight marine divisions. Not all were ex-marines, to be sure, and veterans, to be sure, but all were persons trying to make it in small business.

In fiscal year 1985, SBA approved business loans worth \$2.8 billion; the previous year, \$3 billion. The SBA loan programs are easily seen as significant and vital to the economy.

Let me propose the following:

First, I recommend strongly that SBA provide additional technical assistance funds to SBDC's for one-on-one counseling for Vietnam veterans.

Second, I urge continuance and expansion of SBA loan programs.

Third, it is urgent that the 7(a) guarantee program be continued as is. It is the heart and center of the SBA programs. I think if the 7(a) program would disappear, it would not be long until SBA would disappear as well.

Fourth, it is recommended that a veteran equity investment fund be considered. I do not know the answers to the shape of such a fund. But what I do want to underline is the fact that many Vietnam veterans simply do not have that startup capital, and it is needed desperately. I think it is a good investment if some sort of a fund—revolving fund—could be worked out.

I think coupled with the SBDC and the help of the Vietnam Veteran's Leadership Program, many new and viable small businesses would come into being.

Fifth, it is proposed that a computerized national veterans' business network be created for establishment of a marketing and sales support system. This would include procurement information of each Federal agency so veterans could compete more effectively as vendors in securing U.S. Government contracts. At present there is a system but it is one in which veterans and small businesses simply list or register themselves with the Federal Government.

Last, of course, my final recommendation is, that all efforts be made to keep SBA intact and strong.

In conclusion, I must urge that we arm those who through use of arms have provided both security and economic vitality for America.

Small businesses across this country are the providers of enormous tax revenues, State and Federal.

It is important to add more small businesses—many more small businesses could be added by additional assistance to Vietnam veterans.

There are 28.6 million veterans in the United States; about 10 million of the Vietnam era. About 2.5 million of those saw combat there. Just how many are in business right now cannot be confirmed statistically, but all have and will contribute to the vitality of the American free enterprise system. And my word is, help them contribute more.

I thank you for letting me testify here today.

Mr. MAVROULES. Thank you very much, Mr. Mather.

Mr. Farris, if you would proceed.

TESTIMONY OF ANDREW H. FARRIS, SMALL BUSINESS DIRECTOR, GEORGIA VIETNAM VETERANS' LEADERSHIP PROGRAM

Mr. FARRIS. Good morning.

Mr. MAVROULES. Good morning.

Mr. FARRIS. Mr. Chairman, thank you for having these hearings and giving us the opportunity to testify.

I would like to ask that my prepared statement and the accompanying proposal narrative be inserted in the record along with the statement from Mr. Paul Camacho.

Mr. MAVROULES. Without objection.

Mr. FARRIS. I would simply like to highlight a couple of aspects of my presentation and describe some aspects of my proposal.

Mr. MAVROULES. Please proceed.

Mr. FARRIS. I am the small business director with the Georgia Vietnam Veterans' Leadership Program in Georgia. I am a combat Vietnam veteran, and in 1984, I was the SBA Veteran Advocate of the Year.

Since May 1983, I have conducted 125 individual seminars for veterans in small business in 20 cities, in 12 States across the United States. In line with that I would like to make one clarification to the record. Earlier this morning, Mr. Parker said that the SBA initiated a pilot franchising conference. In fact, in December 1984, the Georgia VVLP held a franchising conference for veterans attended by 250 Vietnam veterans. And in February 1985, we submitted a proposal requesting a small amount of money—\$40,000—to replicate this conference in six Southeastern States through several other existing VVLP units.

The importance is not pride of authorship. It is just to clear the record.

Mr. MAVROULES. OK.

Mr. FARRIS. The important thing that I think that needs to be established today, that has not been brought out, is why these small business programs are so vital for the Vietnam veteran. Today, the average Vietnam veteran is 39 years of age. Statistically, veterans start businesses between the ages of 35 and 45. So we are at the midpoint—both of our work lives, and at the time when men start business ventures.

In addition, the Vietnam veteran is the best educated veteran in America's history. Further, over 2 million Vietnam veterans today work in small business. According to the SBA's report to the President in 1984, three-quarters of the 2 million veterans who were employed by small business work for a company which employs 100 people or less. We know, and we understand, and are experienced in small business. In addition, our military training taught us small business organization, small business communications, and small business leadership. I think that accounts significantly for the very low failure rate of current SBA veteran loan programs; 1.7 percent.

In addition, even today the Vietnam veteran faces job discrimination. Two recent studies have pointed this out. One of those shows that if two people—two men—were applying for the same job, one a Vietnam veteran and one a non-Vietnam veteran, and both were judged equal for the job, there is a 50- to 60-percent like-

lihood that the non-Vietnam veteran would be hired. The primary reason is perceived employer problems of a psychological nature.

In addition, another study shows that of men born between 1944 and 1949 with exposure to combat, their average family income is \$3,000 to \$4,000 less than men of their age group without exposure.

In fact, in a study delivered to the SBA in January 1985 by Centaur Associates, they say that it can be argued that the next few years are particularly critical for Vietnam veterans, that these veterans, many of whom experienced career difficulties during homecoming, are now beyond the age when substantial educational gains are customarily made and are apparently locked into their careers. And that starting their own businesses might provide another chance for the talented individuals among this group.

As has been noted, a great deal of the money appropriated for veterans' training and outreach has not been applied. What has not been shown is that the \$75 million appropriated by Congress to the Vietnam Veterans' Direct Loan Fund in 1983, 1984, and 1985 has not been utilized. Less than 50 percent of it has actually reached the hands of the Vietnam veteran. The primary reason is a lack of equity capital. The SBA requires that the veteran have 25 percent of the amount of money that he wishes to borrow, and that is an ongoing problem.

We can demonstrate, in fact, that during the first two months of this fiscal year in the southeast region of the SBA, 27 of 29 veteran direct loan applications were declined. Yet, at the same time in the State of Georgia, 16 of 21 Vietnam veteran loan applications, of a bank guaranteed nature, were approved, totaling \$5 million. I think that is reflective of the intensive training program that we have been doing for our veterans in Georgia.

We don't simply teach them how to write a business plan, or how to fill out loan forms. We advocate a sound financial strategy based on purchasing an existing business or buying a franchise, so that they are buying capital assets and purchasing cash flow and have a significantly improved chance of succeeding in business.

The other reason for our success is that all of our programs are taught by Vietnam veterans; veteran reaches out and helps veteran—not only in a classroom environment but on an ongoing networking basis, acting as financial and management consultants, CPA's, and offering other assistance programs. So we don't give them a one-time program; we give them an ongoing network of support.

That is basically what I would like to suggest. I would like to suggest that a National Vietnam Veterans' Small Business Program be initiated, composed of a national board of directors, which ideally would have a representative from the House, and from the Senate, from the SBA, from the Department of Labor, perhaps from the veterans' service organizations, and certainly to include businessmen who are themselves Vietnam veterans. And that the core element of our curriculum be utilized and applied through the VBRC programs of the SBA, as well as through the SBD facilities.

And in addition, that the computerized network now on line in the Department of Labor for employment of veterans, be expanded to include a veteran small business directory, both in terms of being on-line in a computer, as well as, being in a printed format.

I have met with both Compu-Serve who developed the network itself; and, I have met with the independent, nonprofit agency, Partnership Data Network, Inc., that is assisting—and they tell me that it can in fact be done, and it could be done fairly quickly. That it could probably be substantiated by private sector support by companies like IBM, Zenith, and the Tandy Corp.—and that it could be on-line very quickly.

In addition, as has been stated, I would like to see a veterans' equity investment fund be developed. We have previously studied the idea of a MESBIC—a minority enterprise small business investment company. However, it is not clear that it could make loans strictly to a person because he is a Vietnam veteran—that he would also have to qualify under other minority conditions as well. This fund should be privately capitalized.

At the moment, the Georgia VBRC has a finance committee composed primarily of bankers, financial consultants, and a representative from the Georgia Department of Banking and Trade, and they are constructing a model of this fund, and how it might be replicated, and privately capitalized.

But, the key feature of this proposal is not that it is a grant request; but rather, that it is designed as a business plan with three distinct profit centers, which I think could make it a self-funding program within 2 years. The profits would flow back to the national program by the sale of products produced from our seminar, which we have already done. We have put our entire seminar on both audio and video tape cassettes. I am very pleased to announce that the first national ad for the audio cassettes broke on the 1st of May in Financial Planning magazine—and we have already gotten five responses with a check in the mail.

I am negotiating now with Inc., Venture, Success, and U.S. Today for further placements and then we will turn our attention to veteran publications.

This basically is what I would like to propose. I do not have a budget for it because I wanted to present it in concept first, budget and SBT grant request attached, and I am prepared to answer any questions you might have. Thank you.

[Mr. Farris' prepared statement; National Veterans' Small Business Program narrative; and letter and enclosures submitted by Mr. Paul R. Camacho, fifth annual conference director, follow:]

PREPARED STATEMENT OF ANDREW H. FARRIS, SMALL
BUSINESS DIRECTOR, GEORGIA VIETNAM VETERANS'
LEADERSHIP PROGRAM

A Proposal for: A National Veterans Small Business
Program

Thank you Mr. Chairman.

It is an honor to be asked to testify before this subcommittee and I wish to express my deepest appreciation to you for this opportunity.

My purpose today is three-fold:

- First: to describe the Vietnam veteran today and their small business needs and their importance;
- Second: to demonstrate the effectiveness of one initiative measured against the SBA's program; and
- Third: to outline a proposal for a new National Veterans Small Business Program.

As my colleagues stated, the SBA has not fulfilled its full responsibilities to the Vietnam veteran through its small business programs.

However, the point now is not to point an accusing finger, but to clarify the record, clear the slate and reinvigorate our efforts, hopefully in a joint initiative.

The program to be proposed is based on a proven, successful initiative and could be expanded and implemented quickly on a national basis.

This proposal would pull together several existing Government programs and agencies, utilize existing funding, and operate, ideally, under veteran management supported by veteran volunteers, and would incorporate significant private sector participation.

One primary feature of this program is that it is designed to be self-funding.

Congressional Testimony
Page Two

But, before outlining this proposal, let me address the Vietnam veteran today.

Today the average age of the Vietnam veteran is 39, and statistically, men begin business ventures between the ages of 35 and 45. Therefore, today the Vietnam veteran is at the mid-point of two intersecting forces: the mid-point of a man's work-life and the mid-point of a man's business venturing age.

Educationally, the Vietnam veteran is the best educated veteran in America's history.

In terms of business experience, we understand small business; one-half of all Vietnam veterans (49%) work for a company employing less than 500 people.

Yet, even today, the Vietnam veteran still experiences job discrimination. Two independent studies demonstrate this reality: one conducted by Columbia University with the American Legion and one conducted by DePaul University. They show:

1. That if two applicants, one a Vietnam veteran and one a non-Vietnam veteran, both judged equally qualified for a position, apply for the same job, the non-Vietnam veteran is 50% to 60% more likely to be hired. (Bordier & Drehmer, DePaul University.)
2. When age and educational attainment are taken into account, exposure to intense combat exerts a major independent effect on annual family income.

It is estimated that for men born between 1944 and 1949 with the most intense combat exposure, mean income levels are \$3,000 to \$4,000 less than men in the same age group without combat exposure. (Columbia University/American Legion.)

In fact, a study developed by Centaur Associates, commissioned by the SBA, and delivered to them in January of 1984, states:

"It can be argued that the next few years are particularly crucial for Vietnam veterans. These veterans, many of whom experienced career difficulties during homecoming, are now beyond the age when substantial educational gains are customarily made and are apparently locked into their careers. Starting their own businesses might provide another chance for the talented individuals among this group."

Congressional Testimony
Page Three

This study further recommended that the SBA increase its small business programs for veterans. Specifically that:

"(there be an) ...integrating of SBA management assistance with SBA loan programs, so that, for example veterans are not referred to SBA management assistance only after their loan applications have been denied."

In measuring veteran attitudes toward SBA management assistance, the survey reported:

"Overall, the Vietnam veterans rated SBA management assistance worse than other veterans did, and other veterans in turn rated it worse than non-veterans did."

Further:

"Both veteran and non-veterans rated the non-SBA assistance better than SBA assistance".

The sad reality is that these findings and recommendations went unheeded, for during Fiscal Years 1984 and 1985, the SBA spent only 25% of the Congressionally allocated monies for Veterans Outreach and Training, spending only \$890,000 of \$3.5 million. (Senate Hearing, SBA Office of Veterans Affairs Activities, November, 1985.)

And, during this period, beginning with 1983 through 1985, the SBA Vietnam Veterans Direct Loan Fund was appropriated \$75 million by Congress, of which less than half (49%) was actually financed to Vietnam veterans. (Senate hearings.)

Of the \$36.8 million which was financed, over half (54%) was utilized while the SEA's Office of Veterans Affairs was under the direction of the late Mr. Steve Mollett, a Vietnam veteran.

Further, during the first two months of FY 1985/86, in SBA Region IV, the Southeast, 27 of 29 Vietnam veteran direct loan applications were denied. (SBA figures.)

Yet, during these same two months Vietnam veterans in Georgia successfully secured 21 bank guaranteed SBA loans totaling \$5 million. This represented 41% of the Vietnam veteran loans secured in this 8-state region and 49% of the money secured. (SBA figures.)

Congressional Testimony
Page Four

This successful performance followed an intensive small business initiative by the Georgia Vietnam Veterans Leadership Program throughout the State, in co-sponsorship with the SBA, the Small Business Development Centers and the SBDC of Georgia State University.

A follow-up survey of veteran attendees of the GVVLP seminar series was conducted by the Center for Business and Economic Studies, SBDC, University of Georgia. This study states:

"The majority (92.6) of the participants rated the overall usefulness of the program at 4.5 on a 5 point scale."

What contributes to this success?

The primary reason for our success is due solely to the Vietnam veteran. Let me explain.

According to the SBA Report to the President, The State of Small Business, 1984, nearly half of all employed Vietnam veterans work for a company of less than 500 people, and of these three-quarters work for a company of less than 100 people.

Over 2 million Vietnam veterans now work for a small business.

In addition, because of their military experience and training, they are well schooled in small unit organization, small unit communications, small unit management and small unit leadership.

Not only is the Vietnam veteran so experienced, but they are successful at the application of these skills. Their commanding officer, General William Westmoreland, states that:

"The Vietnam veteran did what no other military force in the history of this Country has done, and that is to protect, defend and hold a hostile front of over 900 miles, and to hold it for a decade. This front is longer than the combined fronts of World War's I, II and Korea."

Today the Vietnam veteran possesses the necessary education, small business work experience and leadership skills to be successful in their small business ventures.

In fact, according to Senator John Kerry (D-MA), the failure rate of Vietnam veterans is just 1.7%. (Senate SBA Hearing, 1985.)

Congressional Testimony
Page Five

The second reason for our program's success is also because of the Vietnam veterans who teach the seminar workshops, their time given to counseling and because of their leadership.

To quote Mr. Mollett:

"Following every major conflict or war that our country has been involved with, it has been the veteran of that era who stepped forward as private citizens to take up positions of leadership in American life, in industry, in communities, in government and in the business world.

This tradition of service, this zeal for success spans our history from Valley Forge to Beirut...in recent years a new generation of veteran leadership has emerged from the anguish of Vietnam - tempered by this real world experience - fiercely proud of their military service - and more deeply dedicated than ever to the principles:

--self-reliance, private enterprise and service to others."

During the three years of our program, volunteer Vietnam veterans, who are attorneys, bankers, CPA's, financial and management consultants, entrepreneurs and business owners have constructed a curriculum which has helped other veterans successfully secure small business loans.

According to the SBA over 200 Vietnam era veterans have secured SBA loans totaling \$40 million in Georgia during the past three years.

In addition, their work has produced:

- A 10-hour video tape presentation which has been presented to over 6,000 veterans nationwide;
- A cassette tape package of their seminar is now being marketed in a national advertising campaign, as a fund raising effort.

They have developed a small business training program based on sound financial and business planning practices, designed to assist the veteran develop a self-authored business plan and loan application.

Congressional Testimony
Page Six

The central discipline of this program advocates that the veteran buy an existing business as opposed to a start-up venture, and specifically instructs how to accomplish this. This strategy dramatically increases the chance of the business' success.

Before outlining how this program might be replicated on a national basis, let me touch on one other important attribute of the Vietnam veteran today.

Even today, many Vietnam veterans carry a suppressed anger. This anger often manifests itself through a distrust of government programs.

If the full knowledge of the extent of the SBA's recent failures in Veteran Outreach and Training were to be made known to the Vietnam veteran, then surely, this anger would boil to the surface and their trust would be lost completely.

This can, and should be, avoided.

Clearly, this failure is documented. The damage is done. The damage done to the veteran's belief in the SBA programs exists and recriminations will not reverse this reality.

The next critical effort must be to recapture the veterans trust in a small business initiative, to actively seek their involvement at all levels of its application and to get these programs moving forward again.

There are only a few, highly critical years left to complete this work.

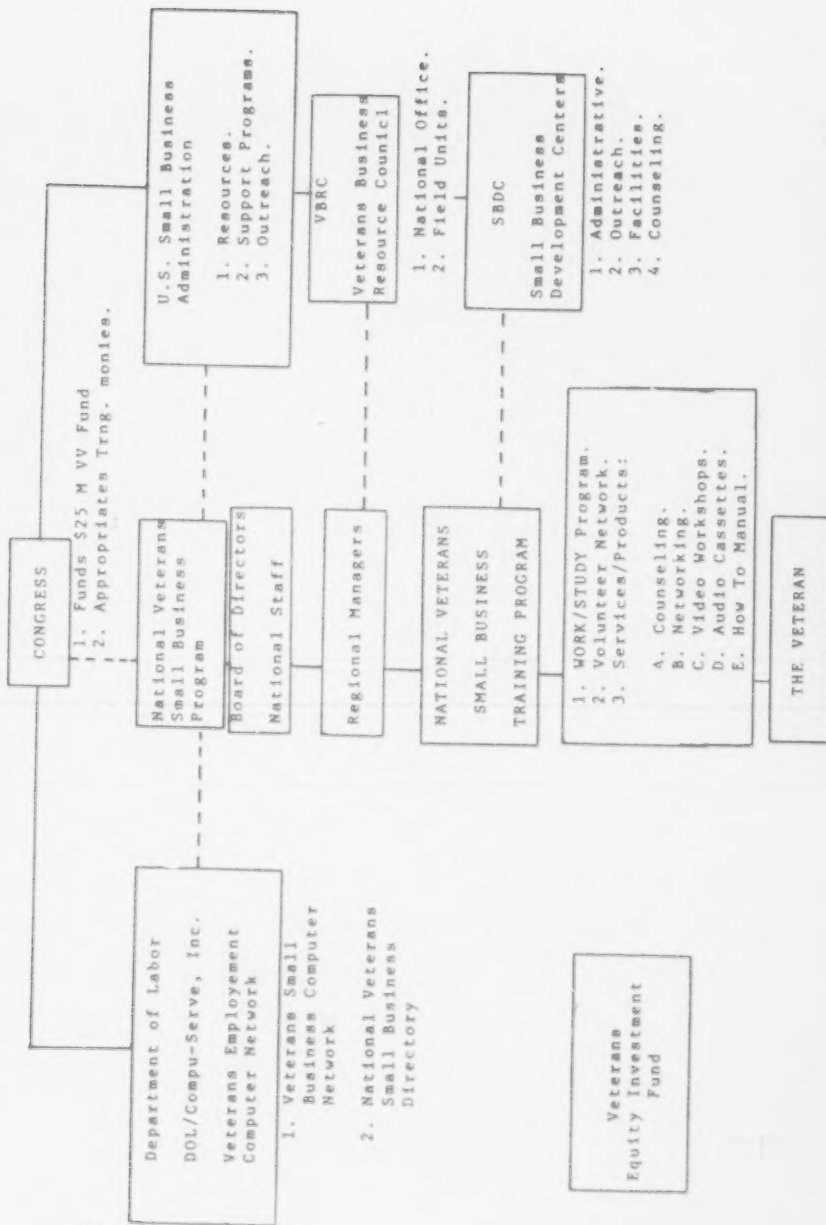
To achieve this end, I submit to you Mr. Chairman, a proposal for a new National Veterans Small Business Program.

This program is designed to pull-together several government resources, under veteran leadership and volunteer support, which will be linked with significant private sector participation.

This Program would channel the maximum available resources direct to the veteran - via a central management structure designed to provide the veteran the greatest possible chance to establish themselves as small business owners and for the ideal of veteran helping veteran continue and multiply.

This Program could begin operation, nearly immediately, utilizing existing, non-applied, funding. It is designed to become self-funding within 24 months.

THE NATIONAL VETERANS SMALL BUSINESS PROGRAM



Congressional Testimony
Page Eight

Briefly, if you wish, I can illustrate this Program and management concept with this organizational chart, or I may hold it for questions.

In closing, I would like to offer one final observation about another important aspect, or benefit, of our seminar program as it relates to the Vietnam veteran.

This is the benefit of healing.

Many of the men and women who have attended our workshops have not had the opportunity to be among large groups of other Vietnam veterans.

And, many have not had the opportunity to fully associate with other successful Vietnam veterans, especially those who are willing to give of their time, experience and business counsel.

The result is a release of anger.

One of our instructors, Mr. Dan Wall, tells the groups of his anger, its suppression, and how this work helped him release it. This release has helped him to make significant beneficial changes in his life and to be better pointed toward success.

It is exemplified by Mr. Tommy Bass, a "trip wire" Vietnam veteran who spent two years living in the hills of central Tennessee, and who is now a small businessman because of the help and caring of men like Dan.

The importance for the continuation of such a program is vital, not just to stimulate veteran business ownership, but to stimulate well-being in the Vietnam veteran community.

The ultimate benefit is a secure future for the veteran, their families, their communities, and this well-being will ultimately benefit the Country's well-being and economic health.

Mr. Chairman, I wish to again thank you for this hearing and the opportunity to present our ideas.

I would like to leave you with one final message. It is one I learned by example from my Father, who was a chief of Pensions and Disabilities and Physical Therapy for the Veterans Administration and it is a message I leave with all of our seminar groups.

Congressional Testimony
Page Nine

"For we would not brethern, have you ignorant of the affliction which came upon us in Asia.

We were crushed beyond measure - beyond our strength.

But, we forebare, lest any man should reckon us beyond that which he sees in us or hears from us.

Having therefore such hope, we show great boldness.

As we abound in everything, in faith, in utterance, in knowledge and in Your love for us, we may excell in this gracious work.

Therefore, we do not lose heart. On the contrary, even though our outer man is decaying, yet our inner man is being renewed day by day.

And so we rejoice - when we are weak but You are strong.

In conclusion, rejoice, be perfected, be comforted, be of the same mind, be at peace."

From: St. Paul's Second
Epistle to the
Corinthians.

Mr. Chairman, thank you.

##

GEORGIA

Vietnam Veterans Leadership Program, Inc.

500 Northridge Road, N.E.
Suite 610
Atlanta, Georgia 30338
Ph: 404 998-7200

RON MILLER
Executive Director

BOARD OF DIRECTORS

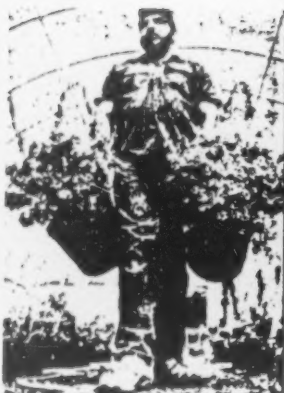
MARY LOU KEENER
Chairperson
Hospital Ship
USS Repose
JAMES BLAYLOCK
3d Marine Div
TOMMY CLACK
25th Inf Div
ANDREW H. FARRIS
25th Inf Div
R. KEEGAN FEDERAL JR.
160th Sig Gp
ARTHUR L. HAMILTON
USS Paul D# 1060
ROBERT G. KNOWLES
1st Cav Div
MICHAEL N. MANTEGNA
1st Cav Div
RICHARD REBER
571 Med Det
RUBY SELLERS
8th Field Hospital

SBA LOAN APPLICATION WORK/STUDY PROGRAM

Winter 1986

- | | | |
|-----|---|--------------------|
| 1. | The Business Plan
Andrew H. Farris,
Project Director, Vietnam veteran | February 10/Rm 201 |
| 2. | The SBA Loan Forms
James E. Mathis,
CPA, Vietnam veteran | 12/Rm 201 |
| 3. | Small Business Finance
R. Richard Schuman,
Prudential-Bache Securities | 17/Rm 204 |
| 4. | Marketing Research and Planning
Chuck Reaves,
XXI Associates, Vietnam veteran | 19/Rm 20 |
| 5. | Small Business Accounting
Rodney Alsop,
GSU, Vietnam veteran | 20/Rm 30 |
| 6. | How To Buy A Business, I
Dan Wall,
Business Broker, Vietnam veteran | 25/Rm 303 |
| 7. | How To Buy A Business, II
Ted Chernak,
Business Broker | 26/Rm 201 |
| 8. | Franchise Opportunities
Stephen S. Raines,
National Franchise Associates | March 3/Rm 201 |
| 9. | Small Business Financial Strategies
Marshall Chamberlain,
First National Funding, Vietnam veteran | 5/Rm 201 |
| 10. | The Small Business C.E.O.
Andrew H. Farris | 10/Rm 201 |

** All classes are held in the Urban Life Building at GSU, at the corner of Piedmont and Decatur Streets. For information call Andy Farris 393-1708, or Sybil Young 658-3550.



Tony Gobert carries plants at his Canton Road Garden Center in Cobb County.



Danny Goins, who was an air traffic controller after service in Vietnam, now has an expanding Mercedes-Benz repair shop in Fayetteville.

Leadership program means business for veterans

Entrepreneurs profit from Vietnam service

By Ron Martin
Staff Writer

In 1975 Tony Gobert went to work for General Electric as a computer programmer, making \$7,000 a year. He had spent six years in the Army, including a year in combat in Vietnam with the 101st Airborne, and he was eager to get back into civilian life.

Within a few years, Gobert was a branch manager earning more than \$70,000 a year. He had a comfortable home in Atlanta, a growing family and the kind of financial security that most men his age can only dream of.

Gobert also had an overwhelming desire to be his own boss. So he checked the security of the corporate world and started building houses. When that didn't work out, he went into the landscaping business. That, too, didn't make it.

"I was really on the verge at that point," said Gobert, 38. "I was asking myself, 'Do I go back to the security of the corporate world or do I stick it out?'"

That's when Gobert, a native of Louisiana, attended a workshop on small businesses offered twice a year by the Georgia Vietnam Veterans Leadership Program (VVLP).

"They brought in other Vietnam veterans who were successful in business but maybe had not succeeded in their first venture," said Gobert. "What I learned from them was perseverance."

Last summer Gobert opened the Canton Road Garden Center in Cobb County; he says by the end of the first year he will double his projected sales to almost \$1 million.

Gobert's story is not that unusual among Vietnam-era veterans, says Andy Farris, Small Business Director for the VVLP.

"We have reached an interesting point on two lines for Vietnam veterans," says Farris.

"The average age of the Vietnam veteran is 39. That's also about the midpoint of a man's working years and the time he starts thinking about getting into business himself. So, what we have are a lot of Vietnam veterans thinking about getting into business for themselves but not sure how to do it."

specifically designed to help Vietnam vets launch their own businesses. The program has been so successful in Georgia that Saturday night the VVLP will hold its first Veterans Small Business Awards Dinner at the Commerce Club, to honor veterans who have started their own businesses.

According to Farris, the VVLP has helped more than 200 Vietnam veterans obtain \$40 million in Small Business Administration loans over the past three years.

In the first two months of fiscal 1986, Georgia Vietnam vets received 29 of the \$1 SBA loans given in the eight-state Southeastern region, accounting for \$4 million of the \$13 million in vets in the region.

Although the failure rate for businesses nationwide that receive SBA loans is 4 percent, the failure rate for veterans who receive SBA loans is only 1.4 percent.

"I think this shows that the veteran is at an interesting point in his life," said Farris. "He's matured, he's more responsible, and he's committed to having his business succeed."

Danny Goins is one of those veterans who took advantage of the assistance offered by the VVLP to obtain a \$150,000 SBA loan. With it he was able to expand Fayette MB Specialists, the Mercedes-Benz repair shop in Fayetteville that he co-owns with another veteran, Tony Smith.

"We knew we wanted our own place, but we weren't really businessmen and didn't know how to go about it," said Goins, a former helicopter pilot in Vietnam who spent seven years as an air traffic controller in Atlanta before being fired in the strike of 1981 and going into business with Smith.

Don Wall, a former business broker who now owns his own company specializing in commercial real estate, teaches one of the workshops on small business ownership. He has helped seven other vets start their own businesses as a result of the classes.

"We still see guys in class real angry, guys who have not adjusted," said Wall, 41, who was wounded three times and won four Bronze Stars for valor in Vietnam.

Wall said he was still angry about Vietnam when he attended the first VVLP workshop, but didn't realize it until then. That workshop

"It's unbelievable how much this has changed me," said Wall. "Now, for some of these veterans, for the first time they are getting some positive reinforcement for their services to the country."

Tommy Bass of Americus, Ga., got out of the Marine Corps in 1967 after serving as a machine gunner in Vietnam for 13 months. He earned a degree in psychology from Georgia Southwestern College but found that the war had drastically changed his outlook on life. He joined the Vietnam Veterans Against the War and became active in the anti-war and civil rights movements.

He did some surveying, some counseling, and in 1979 and 1980 worked as a welfare fraud investigator. Then he took off for the mountains of Tennessee, a vet shunning society and living off the land.

He decided to come out of the mountains to earn or borrow enough money to buy his own piece of land.

"I went to the VVLP because of the possibility of getting money," said Bass, 41. "I didn't get the money,

but I got a lot of other things." One of them was a better feeling about himself as a combat veteran of Vietnam.

"The vets were starting to look at themselves as better human beings," said Bass. "The vets there didn't judge me, even though I had long hair and a beard. I wasn't judged as worthless. I had been out of the woods only six months at the time, and that helped me get back into society."

Bass since has set himself up in business as a handyman and serves as the president and chairman of the board of the Atlanta-based Magnolia Warehouse, a natural foods warehouse that serves cooperatives in the Southeast.

"These workshops have been kind of a healing process for a lot of the men," said Farris. "They're no opportunity to let some of the anger go. But we've only got a few highly critical years left to complete this work, because if these men don't make the change in the next few years, they won't make it."

EVALUATION OF EFFECTIVENESS OF THE
VIETNAM VETERANS LEADERSHIP PROGRAM
WORK/STUDY SERIES

CBES Monograph 85-109



Center for Business and Economic Studies

Small Business Development Center

**Institute for Business
The University of Georgia
Athens, Georgia 30602**

This project is funded in conjunction with the U.S. Small Business Administration

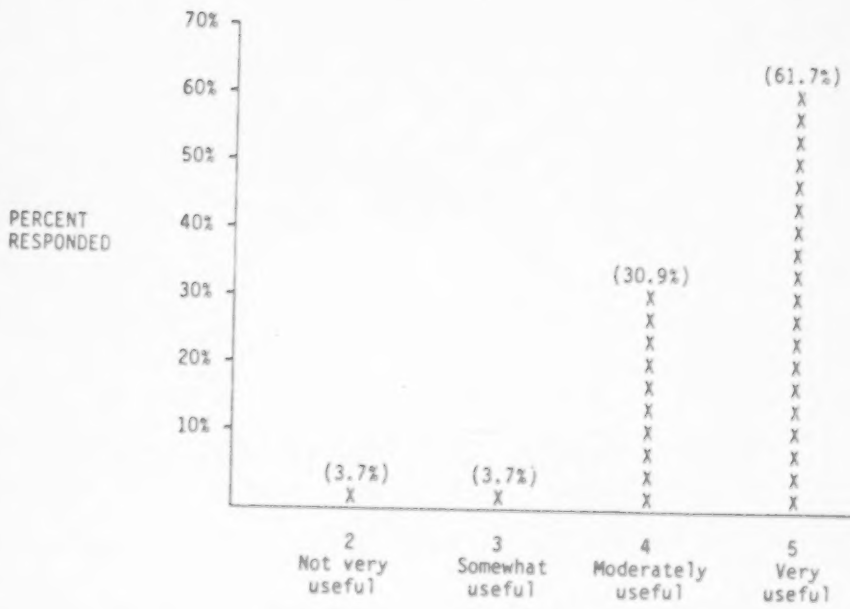


Figure 1. Percent of responses to "Overall, how useful did you think the programs were?"

NATIONAL VETERANS SMALL BUSINESS PROGRAM

NARRATIVE

This program is designed to show how a National Veterans Small Business Program might be structured, utilizing existing funding, government resources and agencies, coupled with management and volunteer support supplied by the Vietnam veteran community and linked with private sector participation.

As outlined, this program contains three (3) profit centers, all designed to turn this plan into a self-funding, self-sustaining program.

At the least, this program envisions the replication of the "SBA Loan Application WORK/STUDY Program", developed by the Georgia Vietnam Veterans Leadership Program, under the co-sponsorship of the SBA, the Georgia Small Business Development Center and the SBDC of Georgia State University. (Results Summary attached.)

According to SBA reports, since the GVVLP began this program in Georgia in May, 1983, the SBA has made 200 small business loans to veterans totaling nearly \$40 million in Georgia.

And yet, during the first two months of FY 85/86, in Region 04 of the SBA, 27 of 29 direct loan applications submitted by Vietnam veterans were declined.

The issue is not one of loan money being available to the Vietnam era veteran, nor is it simply a matter of supplying small business training programs.

Rather, the issue is how to link government, veteran and private sector resources into a unified program designed to stimulate Vietnam era veteran small business ownership within the next three to five years.

I. ORGANIZATION STRUCTURAL ATTRIBUTES

1. A central management corp designed to expedite the application of resources from government, veteran and private sector suppliers directly to the veteran.
2. An independent management authority of these extended resources.
3. A direct communication path from the national office to field units.
4. Private sector participation.
5. Self-funding design via profit centers.
6. Maximum resource benefits to the veteran community.

II. PROGRAM ATTRIBUTES

1. A proven curriculum: modeled on the GVVLP small business initiatives, featuring Vietnam veteran volunteers. (See Final Report attached).
2. A proven financial strategy for loan approvals: this strategy is based on the purchase of an existing business and/or franchise as opposed to start-up ventures.
3. Veteran management and leaders.

4. A national veteran marketing and sales network.
5. Maximum application of resources to the veteran benefit.

A. RATIONALE AND DESIGN

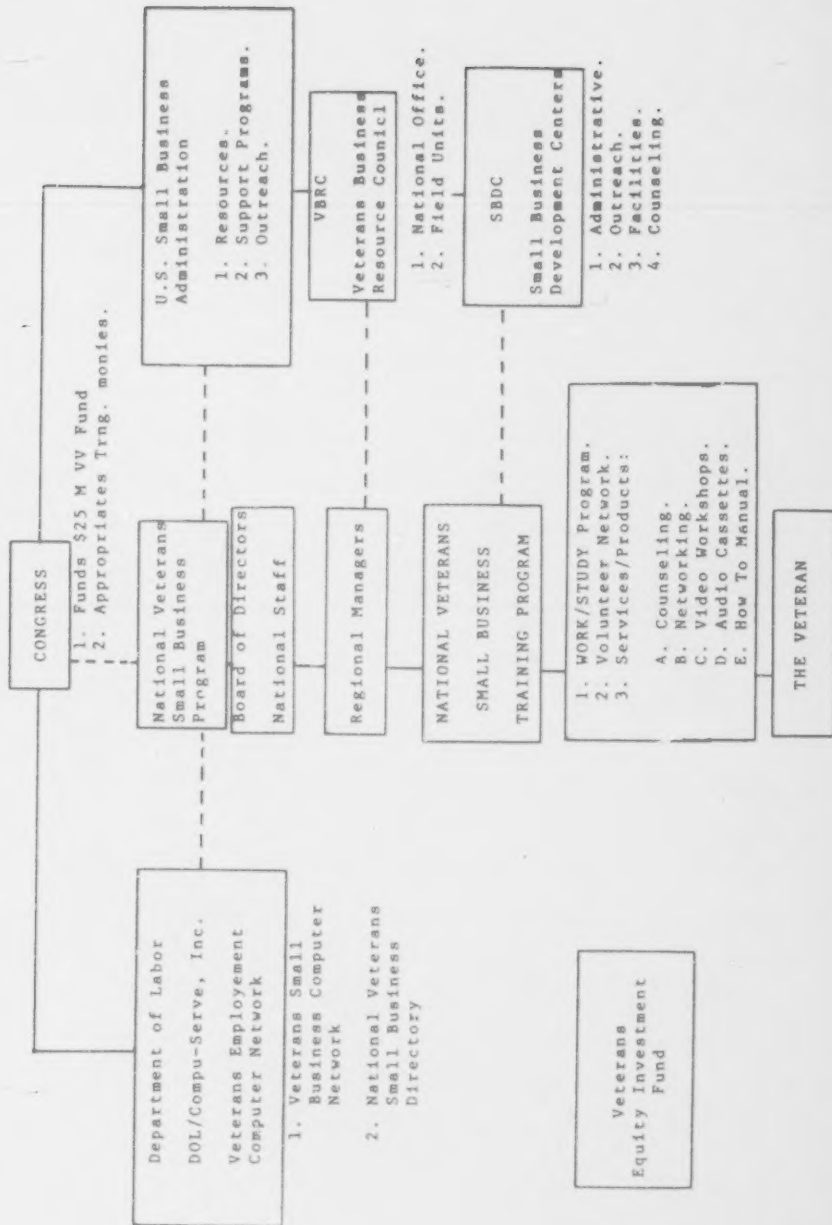
According to SBA testimony before the Senate SBA Committee, relative to veteran activities, the SBA has failed to spend \$2.68 million over the past two (2) Fiscal Years (1984 & 85).

As of this writing (March, 1986), the SBA still has not allocated such veteran outreach and training monies for field application for FY86.

Therefore, this program is designed specifically to show how such veteran outreach and training monies, linked with government agencies, veteran resources and private sector resources, could ensure that all of these resources are applied for the maximum benefit of the veteran community.

First Assumption: That the role of the SBA from FY 87 and beyond may be diminished or abolished, which could further hamper the delivery of monies and resources to the veteran. Therefore, this program advocates that Congress establish a National Veterans Small Business Program, directed by a National Veterans Small Business board of directors and managed by an executive staff. This board of directors and executive staff would have the responsibility and authority to fully develop and execute this program.

THE NATIONAL VETERANS SMALL BUSINESS PROGRAM



NATIONAL VETERANS SMALL BUSINESS PROGRAM

- PURPOSE: To assist Vietnam era veterans secure small business ownership, through the development of self-authored business and financial plans.
- METHODOLOGY: This program will be an inter-active initiative combining government, veteran resources and the private sector.
- CRITICAL ELEMENTS: The continued funding of the Vietnam Veterans Direct Loan Fund, with supportative training monies, ideally for a minimum of three (3) years, up to five (5) years would be managed by a National Board of Directors and Executive Staff.

It will be the responsibility of the Board and Executive staff to:

1. Develop the Plan guidelines, link the participating departments, agencies, and veterans organizations with the private sector.
2. Assist in the formation of a National Veterans Business Resource Council Program which will, in turn, recruit, direct, promote, and support veteran volunteer small business instructor and consultant networks.
3. Oversee the application of resources necessary to the success of this initiative.
4. Establish the structure, organization and operations procedures for a National Veterans Equity Investment Fund, privately capitalized.
5. Coordinate the utilization of a computerized National Veterans Business Network.
6. Formulate evaluation criteria and reporting procedures.

NATIONAL VETERAN SMALL BUSINESS PROGRAM

GOAL EXPECTATIONS

1. To provide the Vietnam era veteran the opportunity to participate and contribute to the economic growth of the United States through small business ownership.
2. To create new employment opportunities for Vietnam era veterans, disabled persons and other minorities.
3. To stimulate the development of new business and individual tax contributions at all levels of the economy of the United States.
4. To implement a National Veterans Equity Investment Fund, privately capitalized at \$7 million.
5. To implement a National Veterans Business-to-Business Network and directory system.
6. To provide the Vietnam veteran the platform to demonstrate their ongoing contributions to their Country, and their fellow citizens in an enhanced and positive manner.

NATIONAL VETERAN SMALL BUSINESS PROGRAM

KEY POINTS

1. The advocacy of securing small business ownership through leveraged buy-outs of existing businesses, and the recognition of their capital assets value to equity and collateral requirements for loan financings.
2. The establishment and implementation of a National Veterans Equity Investment Fund, designed to help veterans meet small business financing equity requirements.
3. The application of a National Veterans Business Network to assist veteran small businesses establish marketing and sales support systems.

ASSUMPTIONS

1. That the size, scope or nature of the SBA will be diminished by budget cuts, and that, therefore, its ability to deliver programs for veterans will be diminished.
2. That the Vietnam era veteran will continue to look upon small business ownership as a viable future versus continuing employment discrimination, the aging factor and competitive employment systems which offer fewer and fewer advancements.

Board of Directors: This board of directors could be composed of, but not limited to, representation such as:

1. A Senate appointee.
2. A House appointee.
3. An SBA officer.
4. A Department of Labor officer.
5. A Small Business Development Center officer.
6. A Veterans Business Resource Council officer.
7. A Veterans Service Organization representative.
8. Vietnam veteran representation.

Executive Officers

There would be a minimum of two (2) executive officers to manage this program: a director and a deputy director, one of whom should be from "within government" and one who should be independent of the government, and preferably a Vietnam veteran.

U.S. Small Business Administration Participation:

It would be the responsibility of the SBA, at the direction of Congress to allocate veteran outreach and training monies to field applications through this National Veterans Small Business Office.

The SBA would also assist in the application of the Veterans Business Resource Council and the resources of the Small Business Development Center to the needs and requirements of this program.

In addition, the SBA would continue to supply its traditional service and resources to this program.

Department of Labor Participation:

The primary involvement of the DOL is represented by its National Veterans Computer Job Network, or by the private private sector supplier.

As it applies to this program, the computer network would be expanded to include a "national veterans business-to-business network". A secondary application of this network would be hard copy printouts of this data, either on a state or national directory basis.

Profit Center No. 1

This national veteran business-to-business computer directory could be developed as a profit center for the future funding of this program.

Veteran Business Resource Council Participation:

The VBRC program would be responsible for a primary management assignment to establish the structure and to develop outreach and training initiatives for the field application through its national network at the direction of its national office under the authority of this program.

Veteran Service Organizations Participation:

The VSO's would be invited to participate fully in the development and execution of this program under the authority of the board, especially as they can deliver outreach and other support services in the field.

Small Business Development Center Participation:

The SBDC would be asked to participate significantly in this program, as their personnel and resources can facilitate the training program, through the application of management assistance, classroom facilities, outreach, and communication and support services.

The Georgia SBDC under the direction of Dr. Frank Hoy, and as assisted by Mr. Lee Quarterman, SBDC director at Georgia State University, have been instrumental and invaluable in their support of the Georgia Vietnam Veterans Leadership Program's small business initiatives in the State of Georgia. This work could serve as a model for inclusion in this national program.

Veteran Equity Investment Fund Participation:

One of the most significant findings of the Senate SBA hearings is the acknowledgment by the SBA of a very low rate of Vietnam veteran direct loan application approvals. The apparent, primary reason for this low approval rate is a lack of equity capital by the Vietnam veteran.

Therefore, it is envisioned that a Veteran Equity Investment Fund be created, either on a state-by-state basis or on a national basis.

This equity investment fund would have the capability of making new equity capital injections to a Vietnam veteran business venture for the specific purpose of securing either an SBA direct loan or a bank guaranteed loan. This equity investment fund could follow some of the established guidelines for the development of a minority enterprise small business investment company (mesbic).

The Georgia VVLP, through its small business initiatives in conjunction with the Georgia VBRC are actively involved in developing a model of this equity investment fund concept for potential replication.

Profit Center No. 2

Incorporated into this veteran equity investment fund would be provisions for "donations" of monies to the National Veterans Small Business Program.

National Veterans Small Business Plan--Regional Office

In line with the center core management structure of this program to facilitate direct application of resources to the field, this program would adopt provisions of a previous policy statement to supply such outreach and training to at least five (5) geographic areas.

Therefore, this program would establish at least five (5) regional offices, each directed by a regional manager who is a Vietnam veteran.

These regional managers would be responsible for the application and administration of training programs, resources, support services and other facets of this program to the veteran on a state-by-state basis.

Profit Center No. 3

Through the actual conduction of these veteran small business seminars and other offerings, an inventory of products can be developed which can be sold to the veteran with a modest profit motive as has been demonstrated by the Georgia VVLP initiative.

These products could include, but not be limited to, the following:

1. Video tapes
2. Audio cassette tapes (sample attached)
3. Comprehensive loan application workbook
4. Franchise shows

**The Speaker's
Fifth Annual Conference
on the Concerns of Vietnam Veterans**



United States
of America

Hosts

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House

and

The Honorable Jim Wright
House Majority Leader

Sponsor

The William Joiner Center
for the Study of War and Social Consequences
University of Massachusetts at Boston

May 6, 1986
9:00 a.m. - 1:00 p.m.

The Speaker's Dining Room
The Capitol
Washington, D.C.

Conference Sponsor

The William Joiner Center for the Study of War and Social Consequences at the University of Massachusetts at Boston; Kevin Bowen, Co-Director; Paul Camacho, Associate Director.

Conference Director

Paul Camacho

Conference Coordinators and Issues

Appropriations—Don Jernigan

Housing—Ralph Cooper

Legal Issues—David Addlestone

Minority Concerns

Black Vietnam Veterans—Ron Armstead

Women Veterans—Julia Perez

Postal Service—Tom Daley

Small Business—Andrew Farris

Vet Centers—Wayne Smith

Delegation of Vietnam Veterans

Ron Armstead, MA

Kevin Bowen, MA

Paul Camacho, MA

Ralph Cooper, MA

Tom Daley, MA

John Halachis, MA

Al Hallenbrook, MA

Chuck Harris, MA

Don Jernigan, MA

Michael King, MA

Randal LaPore, MA

Seymore Leventman, MA

Thomas Lyons, MA

Bernard McClusky, MA

Dennis O'Brien, MA

Robert O'Neill, MA

Julia Perez, MA

David Pye, MA

Jaime Rodriguez, MA

Sheila Spicer, MA

Marvin Abney, TX

David Addlestone, DC

Edward Bernaldez, TX

David Bradley, OH

J. Thomas Burch, DC

Larry Chartenez, DC

Nancy Clarke, NH

Sibley Cooley, TX

Anthony Diamond, CA

Rick Ducey, NH

Frank Falkowski, NY

Andrew H. Farris, GA

Eugene Gilbert, NM

Allen Glick, TX

Mildred Kelly, MD

Carlos Martinez, TX

John Mather, NY

Robert Moran, DC

Wayne Smith, RI

Dr. Edwin Strong-Legs Richardson, VA

Craig Wade, AL

John Wheeler, DC

Massachusetts Delegation

Senate

The Honorable Edward M. Kennedy

The Honorable John F. Kerry*

House of Representatives

The Honorable Chester Atkins
The Honorable Edward P. Boland
The Honorable Silvio Conte
The Honorable Brian J. Donnelly
The Honorable Joseph Early

The Honorable Barney Frank
The Honorable Edward J. Markey
The Honorable Nicholas Mavroules
The Honorable John J. Moakley
The Honorable Gerry Studds

Congressional Guests

Senate

The Honorable Albert Gore, Jr. (TN)*

The Honorable Lowell Weicker (CT)

House of Representatives

The Honorable Tony Coelho (CA)
The Honorable Thomas Daschle (SD)*
The Honorable Robert W. Edgar (PA)*
The Honorable Lane Evans (IL)*
The Honorable Robert Garcia (NY)
The Honorable Henry Gonzalez (TX)
The Honorable Marvin Leath (TX)

The Honorable Mickey Leland (TX)
The Honorable Parren J. Mitchell (MD)
The Honorable G.V. Sonny Montgomery (MS)
The Honorable Mary Rose Oaker (OH)
The Honorable Richard C. Shelby (AL)
The Honorable Ike Skelton (TX)

*Vietnam-Era Veterans

Dedication

The success of the Speaker's Conference over the past five years can be attributed largely to one particular friend of the Vietnam Veteran, Jim Ferguson of the Speaker's Office. Five years ago when a few of us came up with the idea for this conference, Jim picked up on the idea and made it a reality. There is no way we can ever repay him for that or for the many long hours he has spent listening, advising, and helping us. When few would listen to us, he was our advocate and more than that our friend. We dedicate this year's program to Jim as an acknowledgement of our gratitude, our respect, and our continuing admiration for him as a veteran and as a man.

Semper Fidelis

Design and Production by: Student Information Service



©University of Massachusetts at Boston



The Commonwealth of Massachusetts
University of Massachusetts - Boston
Harbor Campus
Boston, Massachusetts 02125

William Joiner Center
 for the Study of War and Social Consequences

May 5, 1986

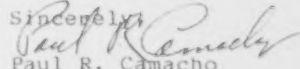
The Honorable Nicholas Mavroules
 Subcommittee on General Oversight and the Economy
 Room B363 Rayburn House Office Building
 Washington, D.C. 20515

Dear Congressman Mavroules,

As the director of Speaker O'Neill's Fifth Annual Conference on the Concerns of the Vietnam Veterans, I would take this opportunity to submit material for insertion into the record of your Committee Hearing for May 7, 1986.

Enclosed is that material from the Conference issue area booklet, which pertains to small business. Also enclosed is a questionnaire which we have developed in conjunction with the Commonwealth's Office of the Commissioner of Veterans Services for their Vietnam Veterans Small Business Development Program. Should you or any members of your committee have any questions, please contact us at the William Joiner Center, at your convenience.

In behalf of all of us connected to the Conference I care to thank you for the opportunity which you have provided us with this Hearing,

Sincerely,

 Paul R. Camacho
 Conference Director

Small Business

Small business opportunities constitute one of the highest priorities for the Vietnam veteran community, because they represent an important avenue for economic opportunity and social mobility. This is particularly the case for those with less than open access to the system; Vietnam veterans in general, and minority veterans in particular have historically found themselves within this category. The following description of efforts in three states documents the the existence of a large reservoir of entrepreneurial aspiration among Vietnam Era veterans. (See appendix for graphs).

In Massachusetts, the data of the Special Commission profile survey indicates that minimally, some 5.1% of the Vietnam veteran population have an active interest in small business. At least 859 Vietnam veterans have asked the SBA for assistance. Depending on the kind of assistance sought, between 22% and 35% were assisted. Approximately 550 Vietnam veterans went without assistance.

In Georgia, one of nine states in Region IV, 238 or 36.1% of the 547 loan applications which reached the decision stage, had been routed through the Georgia Vietnam Veterans Leadership Program. Of the 237 loans SBA approved, 119 of them were from Georgia. No better testimony could be provided to illustrate the extent of Vietnam veteran interest in small business, or the need for the continuation and expansion of a small business Administration program for Vietnam Veterans.

In New York State, during the last 18 months 1362 individuals were counselled and assisted 1362 to success in obtaining some type of small business loan. Of that number 177 had some type of veteran status, and an additional 107 were Vietnam veterans. Funding was primarily secured with Commercial lending institutions. The total of investment came to \$44,343,000. The veterans portion of this private sector investment totaled \$8,164,869, with \$1,824,470 of that going to Vietnam veterans. Of SBA monies, \$150,000 was extended to veterans in direct loans and another \$334,000 in guaranteed loans.

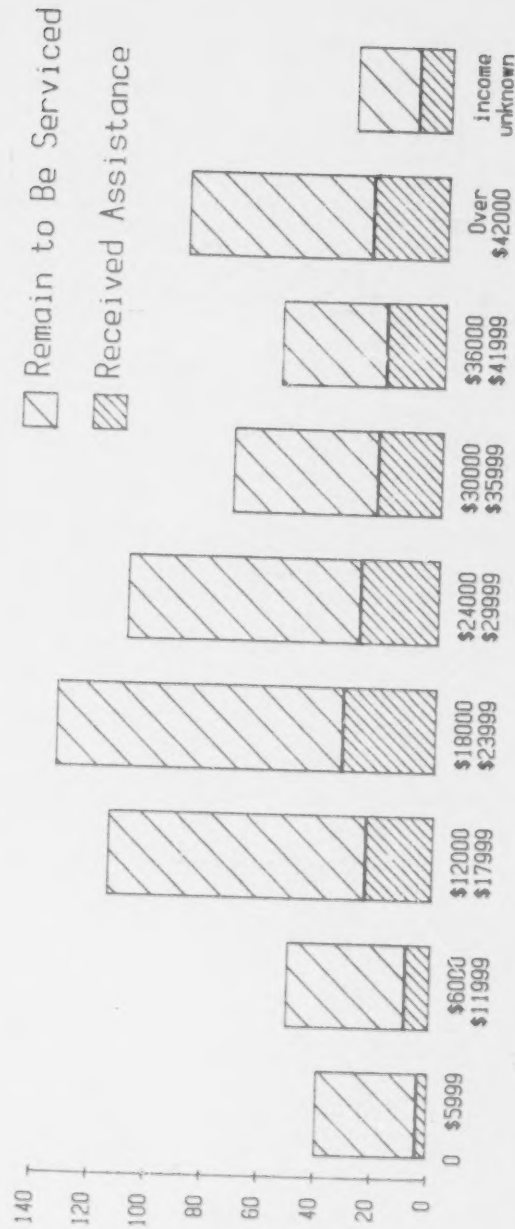
Several of the thirteen studies commissioned by the SBA indicate the need for an extensive and qualitatively focused outreach program for Vietnam veterans. The most important of several points are presented here.

The vast majority of Vietnam veterans interested in starting, or presently operating a small business are engaged in a "micro business" effort. In both cases the amount of venture capital being sought is relatively small. Unfortunately the SBA small business programs are almost exclusively focused on firms already solidly established. In effect those individuals and fledgling businesses in need of the most assistance are often excluded from consideration.

Some form of a Vietnam Veterans Small Business Development Program should be established in each region. They should operate as a specialty shop servicing the Vietnam veteran community. These programs should be directly coordinated with on going efforts such as are being conducted by the VVLP.

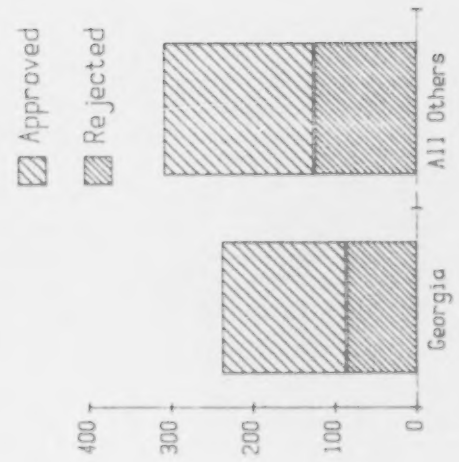
The SBA must revise its formula so as to lower the equity requirement for Vietnam veteran applicant. This Commission agrees with others that a "tandem loan program" should be developed. A formula which includes 40% SBA direct loan, 50% bank involvement with SBA guarantee and first position, and 10% from the Vietnam veteran applicant, would work to give the veteran a fighting chance.

Economic Profile of Massachusetts Vietnam Veterans Requesting Assistance from The Small Business Administration

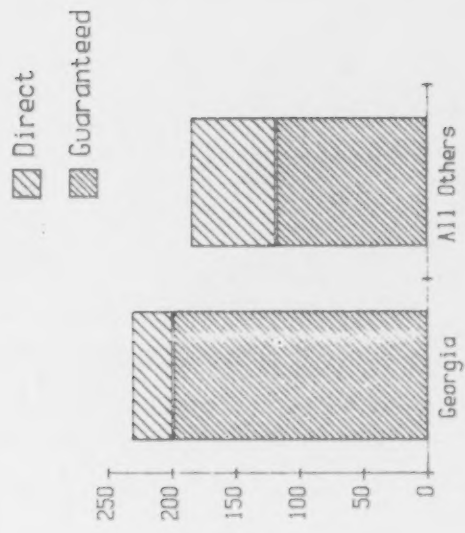


Income Distribution of Respondents to Commission Survey

547 Applications Reached the Loan



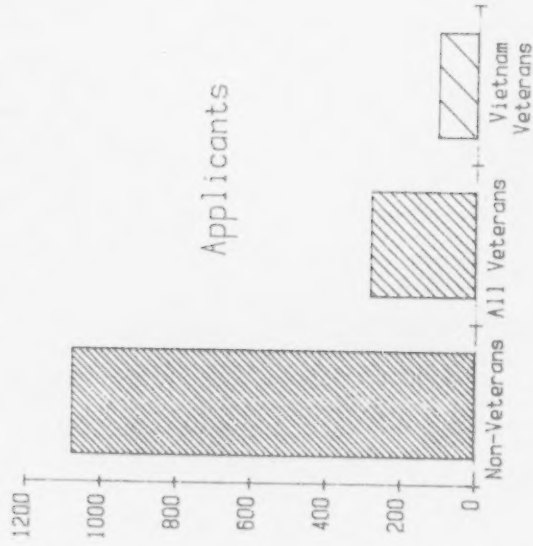
Decision Stage in Region IV



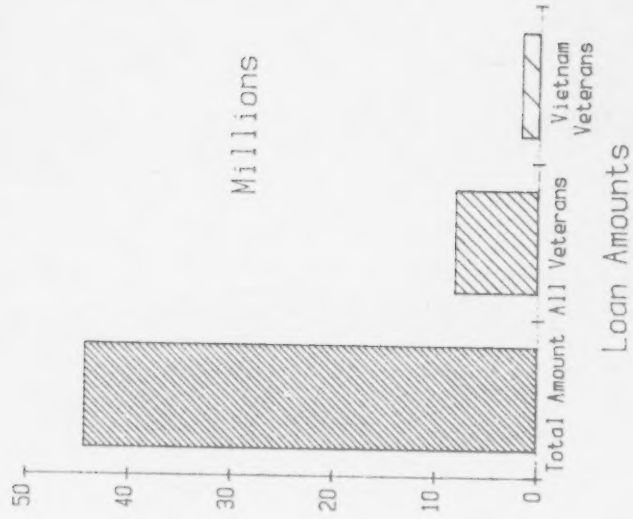
As a result of the Georgia VVLP program, Vietnam Veterans accounted

for 43% of all applications, and 50% of all approved loans.

New York State SBDC
Case Load (18 months)



Private Sector
Investments





The Commonwealth of Massachusetts
University of Massachusetts - Boston
Harbor Campus
Boston, Massachusetts 02125

THE WILLIAM JOINER CENTER FOR THE STUDY
 OF WAR AND SOCIAL CONSEQUENCES

The Office of the Commissioner of Veterans Services is currently in the process of establishing the Governor's Small Business Development Program initiative. The program is being designed to provide veterans with an immediately practical informational, and consulting seminar series over the next several months. This service will be provided without cost to all interested veterans.

In connection with this program, the William Joiner Center at the University of Massachusetts has been commissioned to prepare a program curriculum which will be of value to veterans who desire to enter into, and/or currently operate a small business venture. Your response to the enclosed questionnaire will be of great value in developing such a curriculum.

The enclosed questionnaire is designed for both those who aspire to enter into a small business, but have yet to start up, and those currently engaged in a small business endeavor. **Please answer Sections I, IV, and if applicable, either Section II or Section III.**

Your cooperation and any enclosed suggestions you may care to pass on to us will be greatly appreciated. In behalf of all concerned, we thank you for your cooperation and assistance.

John Halachis
 John Halachis Commissioner
 Office of the Commissioner
 of Veterans Services

Kevin J. Bowen
 Kevin J. Bowen Co-Director
 William Joiner Center
 University of Massachusetts at Boston

Section I

GENERAL INFORMATION

- 1 Are you a veteran of ... ?
 WWII ☐ Korea ☐ Post Korea ☐ Vietnam Era only ☐
 Vietnam service ☐ Post Vietnam Era ☐
- 2 What is your age? _____
- 3 What is the last grade of school you completed?
 Grade School ☐ Some H.S. ☐ High School ☐ Vocational ☐ G.E.D. ☐
 Some College ☐ 2 yrs College ☐ Technical ☐ College ☐ Graduate School ☐
- 4 Do you belong to any ... ?
- | | | |
|---------------------------|--------------------------|--------------------------|
| | YES | NO |
| TRADE ASSOCIATIONS | ☐ | ☐ |
| PROFESSIONAL ASSOCIATIONS | ☐ | ☐ |
- Please specify: _____
- 5 Do you receive any professional (your line of business, or management in general) journals, newsletters or magazines?
- | | | |
|---------------|--------------------------|--------------------------|
| | YES | NO |
| NEWSLETTER | ☐ | ☐ |
| TRADE JOURNAL | ☐ | ☐ |

Section II

FOR THOSE WHO ASPIRE TO ENTER INTO A SMALL BUSINESS

- 6 Which statement better characterizes your interest in small business: Statement A or Statement B?
 Statement A ☐
 "Being realistic I'm interested in something only as a part-time small business geared to supplementing my principal income."
 OR
 Statement B ☐
 "I've been thinking about this for some time and want to get into a small business full-time."
- 7 Please describe in one or two sentences the major products or services you would deliver as a small business person.

- 8 How close are you to establishing your small business?
 within 2 years ☐ within 12 months ☐ within 9 months ☐
 within 6 months ☐ within 3 months ☐ imminently ☐
- 9 Have you selected location at present?
 I have selected a general location (i.e. city or town). ☐
 I have a particular address in mind ☐
 I am experiencing problems with site selection ☐
- 10 In terms of your interest in small business would you rather ... ?
 A) buy an existing business ☐ B) invest in a franchise ☐
 or C) start completely from scratch ☐

- 11 Please supply the information pertaining to the following programs.

	HEARD OF	NEVER HEARD OF	APPLIED FOR ASSISTANCE	RECEIVED THE ASSISTANCE	WAS REFUSED ASSISTANCE
SBA	☐	☐	☐	☐	☐
SBDC	☐	☐	☐	☐	☐
SOMBA	☐	☐	☐	☐	☐
SBIC	☐	☐	☐	☐	☐
MESBICs	☐	☐	☐	☐	☐
SCORE	☐	☐	☐	☐	☐

- 12 What about the following specific programs within the SBA:

	HEARD OF	NEVER HEARD OF	APPLIED	RECEIVED	WAS REFUSED
DIRECT LOAN	☐	☐	☐	☐	☐
GUARANTEED LOAN	☐	☐	☐	☐	☐
7A11 LOAN	☐	☐	☐	☐	☐
503 PROGRAM	☐	☐	☐	☐	☐

Section III

IF YOU ARE CURRENTLY ENGAGED IN A SMALL BUSINESS ENDEAVOR

- 13 How long have you been involved operating this current business?
 1) UNDER 1 YEAR ☐ 2) 1-2 YEARS ☐ 3) 3-5 YEARS ☐ 4) OVER 5 YEARS ☐
- 14 What is (or will be) the legal form of your present business? •
 1) NONE ☐ 2) SOLE-PROPRIETORSHIP ☐ 3) CORPORATION ☐
 4) PARTNERSHIP ☐ 5) OTHER ☐
- 15 When did you start this business MONTH _____ YEAR _____
- 16 How did you acquire ownership of this business?
 1) INHERITED ☐ 2) ORIGINAL FOUNDER ☐ 3) PURCHASED ☐
 4) OTHER (specify): _____
- 17 From which of the following sources did you obtain your initial financing and/or capital to start and/or become an owner of this business? (If more than one answer applies, please indicate the percentage provided by each source.)
 1) FAMILY OR FRIENDS ☐ 2) PERSONAL SAVINGS ☐
 3) FEDERAL, STATE, OR LOCAL GOVERNMENT AGENCY (Please specify): _____
 4) VENTURE CAPITAL (non-governmental) ☐ 5) FORMER OWNER FINANCED ☐
 6) COMMERCIAL BANK LOAN ☐ 7) OTHER (Please specify): _____
- 18 What was the total amount of investment? \$ _____
- 19 How many people do you currently employ? (Please include yourself and any other partners or owners.) _____
- 20 What percentage of your gross total family income is derived from your small business effort?
 income from self employment _____ %
 income from other employment _____ %
 income from other sources (investments, rents, etc.) _____ %
- 21 How many years of general business experience did you have when you started your present business? (General business experience includes experience in such areas as business administration and management, sales, purchasing, accounting, etc.) _____

- 23 How many years of relevant experience in the field, trade, or profession you are currently involved in did you have when you started this business? _____
- 24 When you look back on it, how prepared to succeed in this business do you think you were when you started it?
- 1) VERY WELL PREPARED ☐ 2) WELL PREPARED ☐ 3) SOMEWHAT PREPARED ☐
 4) POORLY PREPARED ☐ 5) VERY POORLY PREPARED ☐
- 25 If you had it to do over again, what would you do differently to ensure the success of your venture?

Section IV

OPINIONS

- 26 Assuming you had to choose, which consultant service would you need more?
- ☐ Assistance in your particular line of business.
☐ Assistance in general business management.
- 27 In connection with your answer above (Question #26), please succinctly list the specific kinds of skills you would like to have presented at the class you attend.
- 28 Which kind of seminar series cycle would you rather attend?
- One which dealt with start up problems only ☐
 One which dealt with raising investment capital only ☐
 One which dealt with small business organization, i.e. establishing business personnel policy, pricing practices, and market management only ☐
 One which only focused on expansion problems peculiar to an established small business ☐
 One which covered (even if in less detail) all of the above ☐
- 29 Please prioritize the following in terms of your practical small business informational needs on a scale of 1 to 5, (#1 being your highest priority, #2 the next highest, etc.)
- Specifically:
- A ☐ would like to develop a proper business and loan package proposal.
 B ☐ would welcome assistance on accounting procedures.
 C ☐ would like information pertaining to the purchase of existing businesses and/or franchises.
 D ☐ would prefer information on market management advertising, and sales.
 E ☐ would prefer technical information pertaining to my specific business, as opposed to management assistance.
- 29 Which of the following generic types best categorize the business you are engaged in or seriously interested in starting up?
- A ☐ **Retailing** (such as a bookstore, camera shop, auto dealership, gift shop).
 B ☐ **Food and Recreation** (such as fast food franchise, bar/cocktail lounge, restaurant, motel).
 C ☐ **Services** (such as print shop, auto repair franchise, warehousing and storage, rental service, real estate agency, business services franchise).
 D ☐ **Industrial** (such as manufacturing, machine shop, wholesaling, distributorship).
 E ☐ **Other** (such as mail-order, contractor, commercial artist).

Thank you for taking the time to help us better serve your needs.

Please return the questionnaire in the enclosed envelope. If you have any questions, please call (617) 929-7864.

Mr. MAVROULES. Thank you very much. I want to thank all of you for great testimony here this morning.

I think all of us understand the problem. Mr. DioGuardi is here from New York and I am sure he will ask some questions. We are in agreement with you. There is nothing you have stated here this morning that I can disagree with.

The point is, how can we convince others? In this case, we have an administration—let's set the record straight—that wants to get rid of the SBA. You get rid of the SBA, you get rid of Veterans' Affairs, and immediately you are going to be hurt right across the board—all veterans, Vietnam veterans right across the board will be affected.

How can we convince the administration to open their eyes to a very, very serious problem down the road? And I agree with statements made here this morning, I think Professor, you said it correctly. The point is that I, too, felt that the Vietnam veteran was treated quite shabbily by this country. I think we are beginning to improve our initiatives as a government.

But we have still a real problem. The problem is that we have an administration right now—and I am trying not to be partisan—that wants to get rid of the SBA. They want to eliminate the Veterans' Affairs Office.

How can we convince them that they are wrong and we are right? That is why we need your help.

Have you called the administration? Have you written the administration? Have you let them know where you are coming from?

Mr. FARRIS. Mr. Chairman, as a matter of fact, I spent 2½ hours yesterday with Ms. Judy Butler, who is Associate Director of the office of Private Sector Initiatives at the White House. I presented this proposal and she is going to check with her legal department to see what their office might be able to do to help.

Mr. MAVROULES. OK, that is very good.

Does anyone else wish to comment on that?

Mr. LEVENTMAN. What are the arguments given—what is the reason?

Mr. MAVROULES. They feel that they can transfer some of the duties over to Commerce and Treasury and that we can save a lot of money; you always get that argument.

But the point is that we have already cut back an enormous amount of money in the SBA during the last 5 years. I think we supported that kind of cutback—if truth be told—because in many areas of the SBA we had an awful lot of waste; I am going to be upfront with you—not referring to your programs particularly. So we cut back. We did, at least to a degree, what the administration asked us to do; but now they want to get rid of the program altogether. That is very dangerous because you are not going to have a voice for yourselves out there if SBA is gone.

Joe, do you see it differently than that?

Mr. DIOGUARDI. No; I don't, and I don't think this is a partisan issue.

Mr. MAVROULES. That is right.

Mr. DIOGUARDI. I support your comments. I happen to be a Republican who won on the conservative lines. You might think that

I was diametrically opposed, but I am not. I think the chairman will tell you that I can't believe that we could get rid of the SBA. I think it works well. I think it is an opportunity to help people help themselves. What we have to do—and I think we are doing—is make it work better.

Just like student loans. We can't get rid of student loans—but make it work. It was supposed to be a revolving fund. Make sure the people pay them back so we give opportunities to others who want an education so they can get a job.

The SBA is an opportunity for people to become an entrepreneur. That is the great American dream. And small business becomes big business. That is the way this country began. Now, maybe I know that more than most because I was raised in a small business—a grocery store in the south Bronx. My dad came from Italy in 1929—couldn't get a job; ended up getting a vegetable stand in Harlem. When I was born in 1940, he had a grocery store. So I know how important it is to be able to stay in a small business so that you can kind of pick yourself up by your own bootstraps.

What you are talking about here is the great American dream. It is not a handout—it is a hand. You want a vehicle to be able so that veterans can help themselves. You mentioned it. You want a revolving fund, like student loans. You want some seed money. You want to get the pump primed. You want to get the carburetor going. And once the engine gets going, you will take care of it and pay it back. That, I think, we need.

Now, that should not be held hostage to this budget crisis. You see, I am a certified public accountant. I know he has heard it before but I am going to tell you, there are only four of me in Congress—out of 535 people, 100 Senators and 435 Congressmen, only four can claim the training of a certified public accountant who thinks in terms of planning, private sector initiatives, things like that.

This system doesn't work here. We can't plan our way out of a budget. We still don't have a budget. Every time they pass something on the floor—what is it going to mean by the end of this year. How much cash is going in, how much cash is going out.

Would you believe we don't have a capital budget in government? Would you believe we don't have a plan on anything that goes beyond a year, except for the first time—Gramm-Rudman, which is a 5-year plan. I don't buy those automatic cuts, but I buy a 5-year plan.

The point is, we are in a sense all a hostage to a system here that is not working—Republicans and Democrats. That is why I am here. That is why I decided to give up a big job, 22 years in a big accounting firm—Arthur Andersen—I didn't need this. But I said I have got to go there and change it from within. The only way to change anything. You can stare from the outside all you want, but unless you get in and educate these guys as to what it means to balance the books around here, you can't do it.

Now, let me tell you my position. I saw the President 2 weeks ago. I am a lobbyist for you in a sense, because he was lobbying me on the Contra vote. I was one of those undecided ones. He couldn't believe that a conservative Republican could be undecided. But I took the occasion to tell him, Mr. President, I believe in you and

your policies, I believe in you as a person. But, frankly, in my district, you are more popular than a lot of your policies. And I have a problem—I have got to get reelected too.

But the bottom line is this: Look at the waste in the military. You are expecting me to agree to 8 percent—in that \$300 billion budget—above inflation, 11½ percent? Can't do it. I can't give the military one thin dime more than they got last year, until they get their act together.

Look at the Packard Commission. The President's own Commission—the Blue Ribbon Commission on Defense Management called the Packard Commission. The examples are mind blowing.

Another example: NASA. Hey, you had to take seven beautiful people to be blown up to figure out that this program that we thought was the model of science, the model of financial health, is a disaster—like the Pentagon, \$3.5 billion in waste, now they find out. Now they truck the audits out of the closet—for 7 years—GAO. But no one ever heard this before—\$3.5 billion. We literally blew up those seven people on waste, mismanagement, fraud, inefficiency, you name it.

Veterans in this country, unfortunately, are kind of the least common denominator, and they are the ones who are going to be held hostage, like the poor people, to this. Now, you don't have to be a CPA to figure out what is going to happen. I told this to the President. I made your case—as a Democrat. But it is an important case to make.

When you look at Gramm-Rudman, you take the interest of the national debt off the table. Social Security and COLA's off the table. And rightly so. We don't want to create another class of poor people among the elderly, they don't get reimbursed for all their drugs and prescriptions. Then you take off 10 programs for the poor. Now, what are you left with out of \$1 trillion? You are only left with \$450 billion. Three hundred billion for the military and \$150 billion for the other domestic programs.

Now, you don't have to be a CPA to figure this one out. If you are going to increase a \$300 billion budget by 8 percent, you have got to decrease \$150 billion by 16—then you blow away small business, blow away the veterans and everyone else. Can't do it. Got to freeze everything right now and you have got to get under those numbers and find out why these programs are not working.

There is plenty of money around just being wasted. And the veterans should be screaming bloody murder when they read stories like I just read on NASA, that one of the contractors took from a subcontractor a fan—\$5,500—and didn't do a thing to it except deliver it to the Pentagon and charge them \$159,000 for the fan.

Read the Packard Commission. That is what you should be incensed about, and writing the President about. That there is plenty of money around. I am an accountant, right? A trillion dollar budget—I will bet my bottom dollar that if we could come up with the systems that work in business—many small businesses—because my father knew how to keep controls, he knew how to keep that register, you know, in control—that you probably can save a quarter of that budget, \$250 billion. We wouldn't have any deficit and we would have plenty of money.

So the issue in Congress that we have to face is not a partisan issue. It is making qualitative judgments—what works, what doesn't work. Don't give me this across-the-board cuts. Everybody is yelling cuts here, because they can't get under the numbers.

The only questions I have seen asked around here—and it is crazy—is, what did we spend last year? That is a stupid question to ask. The question they should ask is, how did we spend it last year? Go back to the first dollar. It is called zero-base budgeting in business—have every agency justify their needs from the bottom up and you will find money for the SBA.

So we have got to change the way things are going. You know, two different kinds of people share the same values. I am sure he had immigrant roots, too. And I think we understand where this country has to go. But we are not getting help from the system.

You talk about the waste—try to fire somebody around here. They don't put responsibility on individuals. We still can't fire anybody at NASA because they are blaming the system. You never do that in business. So we have got to change things.

And guess what? I have a bill that I am going to send to you called the Federal Financial Management Reform Act of 1986, coming up with an Assistant Secretary in each agency to begin feeding back that information to us in Congress, because we don't receive this information. We are making multibillion-dollar decisions and yet the chairman and I don't get in front of us the financial information that we need to make those decisions. So we have got to improve this place.

But in the meantime, you need help. And I am here—and that is why I ran from two other meetings to be here, because the veterans need that safety net. It is not a handout; it is a hand, it is a vehicle. It is some kind of a private public sector initiative and maybe we have to be creative like we were for New York City in 1975. Remember we created Big Mac? We surrounded that big problem with a bridge. It was called a tax exempt, but maybe we have got to come up with a new tax exempt authority for veterans, and let the private sector come in and somehow give them tax exempt interest if they do this because we know it is more risky.

I will use my 22 years as a CPA to help you come up with that. I am not a veteran that has fought in wars but I am a veteran from the Vietnam era. I spent, I guess, 6 months active duty at Fort Dix and 6 years in the Reserves. But I have an appreciation for what the veterans have done for this great country. And to me it is a crime when you consider that they are taken away, at the most productive time in their life—and the ones who survive and come back, want our help, have to now be put in the pot with everything else, because we can't seem to plan a specific vehicle for them. And all we are hearing now is: Cut the deficit.

Well, that is the conventional wisdom. I am here to try to help get under those numbers for you to see whether we can come up with a bipartisan solution that works.

You check my record. You will see that I will never see an increase in that Pentagon budget until we resolve some of these qualitative things.

Thank you.

Mr. MAVROULES. Joe, thank you.

Mr. FARRIS. Mr. Chairman, could I make one suggestion to address your question of what can be done?

Mr. MAVROULES. Sure.

Mr. FARRIS. About a year ago, Congressman Mitchell wrote a letter to me asking about our program, and asked if I could estimate how many new jobs, how much in tax revenues, what type of innovation and productivity, was produced by these new veteran businesses.

I might suggest that the SBA has the names and the numbers. They know how many veteran businesses there are; they know what they were funded for, and they could make these estimates on a national basis and compile for you a listing to show how many new jobs have been created, how much money is produced in revenue and productivity, and what type of new taxes are being developed as well.

Mr. DIOGUARDI. Make sure you send it to every Congressman and Senator.

Mr. MAVROULES. I think that is very important.

I had a number of questions but I am going to refrain from asking them. I am going to leave the record open, however, so that we may ask you questions in the future and you could respond to them. We are running a little late this morning and we do have one other panel.

Thank you very, very much, it has been great testimony.

Mr. LEVENTMAN. Thank you.

Mr. FALKOWSKI. Thank you.

Mr. MATHER. Thank you.

Mr. FARRIS. Thank you.

Mr. MAVROULES. Panel No. 3 and the final panel: David M. Capozzi, associate advocacy director, Paralyzed Veterans of America, from Washington, DC; James G. Bourie, national service director, AMVETS, Lanham, MD; and Nancy Clarke, director, Governor's Small Business Assistance Program for Veterans, Commonwealth of Massachusetts.

Welcome.

Good morning, ladies and gentlemen, we are delighted to have you. We will begin with Mr. Capozzi, please begin your testimony.

TESTIMONY OF DAVID M. CAPOZZI, ASSOCIATE ADVOCACY DIRECTOR, PARALYZED VETERANS OF AMERICA, ACCOMPANIED BY ALFRED A. VIRELLAS, ASSOCIATE ADVOCACY DIRECTOR, PVA

Mr. CAPOZZI. Mr. Chairman, Mr. DioGuardi, on behalf of over 12,000 members of the Paralyzed Veterans of America, and for all catastrophically disabled veterans, I would like to thank you for conducting this examination of the Small Business Administration's programs for our Nation's veterans.

I am David Capozzi, associate advocacy director of the Paralyzed Veterans of America. I am pleased to be accompanied by Alfred Virellas, also an associate advocacy director of PVA.

I would like to request that my prepared written statement be included in the record. I would also like to submit, for the record, this book, "Disabled Americans at Work."

[The book referred to is being held in subcommittee files.]

Mr. MAVROULES. Without objection.

Mr. CAPOZZI. I would like to use this hearing as an opportunity to stress to you the important benefits that the continuation and enhancement of the SBA can have on the lives of America's veterans and especially on catastrophically disabled veterans and disabled nonveterans.

For most Americans, success is measured in the satisfaction one obtains from their family, friends and, most importantly, from employment. Our society expects individuals to work, and the criteria by which we measure one's worth is often the job that he or she performs. Recently, the national survey firm of Lou Harris & Associates conducted a poll which assessed disabled Americans' self-perceptions. The results of this poll are especially significant for the purposes of today's hearing.

The evidence is rather disturbing. In America today, there are approximately 27 million disabled Americans between the ages of 16 and 64; 66 percent of whom are unemployed. Of this, approximately two-thirds, or 12 million, want to find a job but are unable to do so. The statistics for paralyzed veterans are even more distressing.

PVA's studies demonstrate a totally unacceptable rate of unemployment for the most severely disabled veteran. The VA's program of vocational rehabilitation has not led to employment for the catastrophically disabled veteran. Our membership consists of over 12,000 catastrophically disabled veterans, approximately half of whom are service connected, with eligibility for vocational rehabilitation under chapter 31. Of those PVA members who have participated in the Vocational Rehabilitation Program, approximately 75 percent remain unemployed today.

It is time for this administration to adopt a policy which will fairly allow paralyzed veterans and disabled individuals to achieve their maximum potential for independence while not being penalized for doing so.

Mr. Chairman, PVA is committed to the goal of ensuring that those who wish may become as independent as possible. By taking advantage of SBA programs, for example, catastrophically disabled veterans and nonveteran disabled individuals can become productive members of society by becoming taxpayers rather than tax consumers.

The present administration, however, does not share our commitment to independence. In his budget message to Congress, President Reagan declared that the SBA is unnecessary. Although small business accounts for 97 percent of all new businesses and creates more than 80 percent of all net new jobs, the President proposes to eliminate this program based on his claim that "small businesses will benefit more from the administration's efforts to stabilize financial markets and reduce inflation and interest rates."

Mr. Chairman, with the continuing growth of emerging technology there exists now unique opportunities to allow individuals with disabilities to participate more fully in the economic mainstream. For example, the computer revolution has presented individuals with severe disabilities the opportunity to work at home and operate their own business.

However, I must stress, and this must be emphasized, that paralyzed veterans and other disabled individuals possess a wide array of talents, just as they display a wide spectrum of disabilities.

Our expectations for the business that they are capable of successfully operating must not be lowered because of their disability. Operating a business directly from one's own home should not be seen as the only alternative for a paralyzed veteran, just as it is not seen as the only form of business enterprise for a nondisabled individual.

I would like now to comment specifically on PVA's views of SBA actions since 1982. I feel that progress has been made. The Director of Veterans' Affairs activities has begun to address some of the problems veterans have faced in dealing with the agency. Outreach has been improved and increased. As a result, more veterans are applying for assistance from the SBA.

From fiscal year 1980 to fiscal year 1984, veterans' participation has increased from just under 3,300 to over 5,400 veterans served. Since 1980, veterans' participation in the guaranteed loan program has risen from 12 to 25 percent.

I believe that the success that has been shown since the SBA began emphasizing special consideration for veterans justifies continued activity in this area. However, I think that it is time to consider what the SBA is doing for the catastrophically disabled veteran—PVA members and others.

In 1973, Congress recognized that rehabilitation services which were being provided to disabled individuals under the Rehabilitation Act were not addressing the needs of individuals with severe handicaps.

Because of the pressures to provide successful case closures, rehabilitation counselors were serving the slightly disabled person who stood a better chance of becoming employed at a lesser cost rather than providing services to a similarly situated severely handicapped individual.

Because of this inequity, Congress provided for a priority in service for severely handicapped individuals similar in concept to the Veterans' Preference Program of the SBA.

Just as a slight disability is not the same as a severe handicap, a VA rating of 30 percent cannot compare with a catastrophic disability rating of 100 percent. Yet, they are treated the same for purposes of special considerations. PVA recommends that this subcommittee charge the SBA to review its applicant files to determine what numbers of 100 percent catastrophically disabled veterans are applying for and actually receiving loans from the SBA.

If, as we believe, the numbers prove to be few, we feel some special program to provide services to catastrophically disabled veterans could be an excellent followup to existing programs and a method to bring more veterans into the work force.

Using the information and expertise gained during the past 3 years, the SBA should establish a pilot program for catastrophically disabled veterans. The program should be geared toward both the VA programs and State Vocational Rehabilitation Programs. The emphasis might first be focused on educating vocational rehabilitation counselors on the availability of SBA programs in order

to make them aware that business ownership may be a viable option for the catastrophically disabled veteran.

The next step would be to educate and counsel veteran clients on the vocational rehabilitation process. The program should be directed at the intake stage and those early parts of the rehabilitation process where decisions on future direction are being made.

Mr. Chairman, by targeting a portion of the veteran population that is currently underserved and largely unemployed, the SBA will aid in converting these catastrophically disabled veterans into productive members of society.

I would be happy to answer any questions.

[Mr. Capozzi's prepared statement follows:]

PREPARED STATEMENT OF DAVID M. CAPOZZI, ASSO-
CIATE ADVOCACY DIRECTOR, PARALYZED
VETERANS OF AMERICA (PVA), WASHINGTON, DC

Mr. Chairman and Members of the Subcommittee, on behalf of the over 12,000 members of the Paralyzed Veterans of America (PVA), and for all catastrophically disabled veterans, I would like to thank you for conducting this examination of the Small Business Administration's programs for our nation's veterans. I am David M. Capozzi, Associate Advocacy Director of the Paralyzed Veterans of America. I am accompanied by Mr. Alfred A. Virellas, Associate Advocacy Director.

The Paralyzed Veterans of America is a congressionally chartered veterans' service organization. We have over 12,000 members located throughout the United States who have incurred spinal cord injury or dysfunction -- either service connected or non-service connected in origin. The majority of our members can be described as catastrophically paralyzed individuals who use a wheelchair for mobility.

PVA was formed immediately after World War II. Prior to that time, the life expectancy of a person who had incurred spinal cord injury was three to five years. The major cause of mortality was not the spinal cord injury, but the resultant, associated medical problems, mostly internal infections. Medical advances during the war -- such as penicillin and sulphides -- led to the expectancy of a near-full life span for these veterans. The nation's commitment to those who served also led to the development of new

philosophies and techniques in rehabilitation medicine. The result of these advances was the possibility of a near-normal life span and a comprehensive system for education and training that would allow the disabled veteran to participate fully in our society. Our founding members had the foresight to visualize the possibilities that lay open to them. They organized into a national organization to ensure that the catastrophically paralyzed veteran was given an equal chance at obtaining medical care and participating in rehabilitation, training and education programs. Their goal was to return to being productive members of society. Unfortunately, the promise and the possibilities have not yet been realized.

My purpose today is to outline for you PVA's concerns and rationale in seeking the support of this Subcommittee and the House to extend and improve the important programs of the SBA to those who have answered our country's call to service in the armed forces and to others who require its unique services. This hearing is one of a number on the SBA that PVA has participated in over the years. Unfortunately, we have not always been pleased with the services provided by the Small Business Administration -- especially to catastrophically disabled veterans -- and, therefore, have brought a skeptical attitude towards the Agency with us to those hearings.

I would like to use this hearing as an opportunity to stress to you the important benefit that the continuation and enhancement of the SBA can have on the lives of America's veterans and especially on catastrophically disabled veterans and disabled nonveterans.

For most Americans, success is measured in the satisfaction one obtains from family, friends and, most importantly, from employment. Our society expects individuals to work, and the criteria by which we measure one's worth is often the job that he or she performs. Recently, the national survey firm of Lou Harris and Associates, Inc. conducted a poll which assessed disabled Americans' self-perceptions. The results of this poll are especially significant for the purposes of today's hearing.

The evidence is disturbing. In America today, there are approximately 27 million disabled individuals between the ages of 16 and 64; 66%, or 18 million, of whom are not working. Of this, approximately two-thirds, or 12 million, want to work but are unable to find employment. No other demographic group under age 65, of any size, has such a small proportion working.

There have been studies, reports and estimates regarding the unemployment of disabled veterans, but very little up-to-date data exists to accurately quantify the true unemployment situation of the disabled veteran population, nationwide. PVA statistics demonstrate a totally unacceptable rate of unemployment for the most severely disabled veterans. The VA's program of vocational rehabilitation has not led to employment for the catastrophically disabled veteran. PVA consists of over 12,000 members, all of whom have experienced spinal cord injury or illness, and approximately half of that number are service-connected, with eligibility for vocational rehabilitation under Chapter 31. Of those PVA members who have participated in the Vocational Rehabilitation Program, approximately 75 percent remain unemployed today.

An implication of these findings is that a great deal of those disabled individuals out of the work force will draw their support from government benefits or insurance payments. It is time for this Administration to adopt a policy which will fairly allow paralyzed veterans and disabled individuals to achieve their maximum potential for independence while not being penalized for doing so.

PVA is committed to the goal of ensuring that those who wish, may become as independent as possible, both personally and financially. By taking advantage of SBA programs, for example, catastrophically disabled veterans and nonveteran disabled individuals can become productive members of society by becoming taxpayers rather than tax consumers.

The present Administration, however, does not share our commitment to independence. In his budget message to the Congress, President Reagan declared that the SBA is "unnecessary." Although small business accounts for 97% of all new businesses and creates more than 80% of all net new jobs, the President proposes to eliminate this program based on his claim that "small businesses will benefit more from the Administration's...efforts to stabilize financial markets and reduce inflation and interest rates..."

PVA wishes to emphasize our belief that in light of the reductions now being discussed in this Congress, those programs which generate new business and new employment opportunities should not be viewed as deficit producers. Rather, these programs, such as the SBA, should be viewed as vehicles to expand the economy and the existing tax base.

As an Associate Advocacy Director of PVA, I am still fighting many of the battles our founding members sought to resolve. For example, the right of paralyzed veterans - and disabled citizens in general - to travel freely on commercial air carriers is currently awaiting a decision by the Supreme Court of the United States in a case titled Department of Transportation vs. Paralyzed Veterans of America (85-289); the right to accessible housing is uncertain because the Department of Housing and Urban Development has yet to issue regulations based on Section 504 of the Rehabilitation Act of 1973; mass transportation for disabled individuals is undecided for the same reason; medical care faces a major challenge because of continuing attempts to reduce VA health care budgets and because of the constantly rising costs of Medicare and Medicaid programs.

As a result of the failures in these various systems, PVA's members have had to fight a double battle to get back into the mainstream of American society - one battle to obtain adequate medical care and rehabilitation services and a second battle to overcome the stigma of disability. Unfortunately, many did not get as far as they should have -- and could have -- if even minimal attention was given to their needs.

Attention must be paid to the need for equal employment opportunities both as employees and as owners of businesses. With the continuing growth of emerging technology, there exists now unique opportunities to allow individuals with disabilities to participate more fully in our economic mainstream. For example, the computer revolution has presented individuals with severe disabilities the opportunity to work at home and operate their own businesses. However, it must be emphasized that

paralyzed veterans and other disabled individuals possess a wide array of talents, just as they display a large spectrum of disabilities. Our expectations for the business that they are capable of successfully operating must not be lowered because of their disability, however severe. Operating a business directly from one's own home should not be seen as the only alternative for a paralyzed veteran, just as it is not seen as the only form of business enterprise for a nondisabled individual. Of course, the decision to operate a business is just one of many possible employment outcomes for a disabled individual and this option should not be viewed narrowly as the primary, or even sole, method by which to become a "productive member of society."

The SBA, since its inception in 1953, has often been regarded as a program which has failed to meet the needs of many catastrophically disabled veterans. Mr. James C. Sanders, the former Administrator of the Small Business Administration, acknowledged this in his "Policy Statement - Special Consideration for Veterans of the Armed Forces," issued May 14, 1982. I quote from that statement: "While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans' service organizations and Committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance." And further: "While SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veterans' service groups, that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to

utilize the services of the SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration (emphasis mine)."

That Policy Statement was a direct result of this Subcommittee's prior activities to ensure that the agency actually provide the "special consideration" called for in law to veterans who applied for SBA loans. The record prior to 1982 was dismal for veterans and devastating for catastrophically disabled veterans. The special consideration language from Public Law 92-237 was passed in 1974 and virtually ignored for over seven years.

After the issuance of the May 1982 policy statement, the agency established an Office of Veterans Affairs. Special consideration is now defined by the agency as:

"involv[ing] designing management training programs specifically for veterans, processing veterans' loan applications before non-veterans applications submitted the same day, monitoring loan and procurement activities to measure veteran participation, coordinating training and counseling activities with other Agency departments, and allocating a portion of Agency direct loans for veterans."

All veterans must meet the SBA standard loan criteria as any other applicant. They must show that funds are not otherwise available, show an ability to repay the loan from the earnings of the business, have sufficient equity in the business, and offer adequate collateral. All veteran owned business must also meet Agency size standards and not be involved with gambling, speculation, lending or relending, the media except TV and radio, or real property sale or investment.

For eligible applicants, SBA offers a broad range of loan programs, most of these loans are made by financial institutions and are guaranteed by SBA. Regular business loans are available to veterans on a special consideration basis. These loans usually do not exceed \$350,000, have a maturity of up to 25 years, and have a competitive interest rate based on the New York City prime rate.

Congress has authorized a special fund to enable SBA to make direct loans to Vietnam-era and disabled veterans. To be eligible, a veteran has to have served on active duty for more than 180 days, any part of which was duty between August 5, 1964 and May 7, 1975 or have a Veterans Administration (VA) rated disability of at least 30% and be entitled to disability compensation from the VA.

Veterans who apply for direct loans under this special Vietnam-era and disabled veterans program must meet the lending criteria for regular business loans. The ceiling for a direct loan is \$150,000 and no direct loan can be made if a guaranteed loan or other credit is available. The interest rate on these direct loans is the same as for regular business loans. An ability to repay, collateral, and other guarantees are required of the veteran application.

SBA also administers a Handicapped Assistance Loan Program. Handicapped veterans compete on an equal basis with non-veteran handicapped persons for these loans which have very low interest rates.

Mr. Chairman, PVA is especially interested in ensuring that catastrophically disabled veterans, such as our 12,000 spinal cord injured members, are given equal access to programs which will enable them to participate more fully in the economic life of the United States.

To reach this goal, PVA has been involved in a variety of different arenas to ensure that catastrophically disabled veterans are provided equal access to employment activities, including self-employment opportunities.

In fulfillment of this objective, PVA participates in a number of programs dedicated to veterans' employment issues. Among these are the

Department of Labor Secretary's Committee on Veterans' Employment and Training, the President's Committee on Employment of the Handicapped (Committee on Disabled Veterans), the Veterans Administration Administrator's Committee for Employer Support of Veteran Employment, and the Small Business Administration's National Advisory Committee on Veterans Business. I am especially pleased to be accompanied by Mr. Alfred A. Virellas, PVA Associate Advocacy Director, who chairs the Subcommittee on Disabled Veterans of the SBA's National Advisory Committee.

We are especially pleased to have been involved in a joint effort with the President's Committee on Employment of the Handicapped and the Dole Foundation in producing the booklet "Disabled Americans at Work." This publication provides an excellent overview of disabled individuals involved in employment situations. While this publication emphasizes employees of businesses, PVA sees little reason why the abilities of individuals such as those depicted cannot be translated into business ownership. We attach a copy for your review.

The importance of ensuring the availability of SBA insured loans for individuals with disabilities to begin their own business is underscored when one considers the paucity of enforcement mechanisms for employment discrimination on the basis of handicap. Section 503 of the Rehabilitation Act of 1973, which deals specifically with employment discrimination on the basis of handicap for federal contractors was dealt a major setback two years ago when the Supreme Court limited the reach of antidiscrimination statutes. In Grove City College v. Bell, 104 S.Ct. 1211 (1984), the Court held that antidiscrimination statutes apply only to "program or activities" that

receive federal financial assistance and not to entire institutions as was previously the case. It is because of this free rein on discrimination that many disabled individuals, although qualified to do a job, are being overlooked in hiring decisions simply because the program to which they are applying does not "directly" receive federal financial assistance. In the Lou Harris Poll, mentioned earlier, one out of four (25%) working age disabled persons indicated that they have encountered job discrimination because of their disability. On a more encouraging note, 35% of disabled persons who work now, or who have worked full-time while disabled, say that their employer made some sort of accommodation for their disability.

Regarding accessibility and job site accommodation, the Department of Labor, in 1982, studied the prevalence of accommodation efforts and the types and costs of accommodations. An overall conclusion of the analysis is that for firms which have made efforts to hire the handicapped, "accommodation is no big deal." Rarely did an accommodation involve much cost. For 81% of the respondents, the total cost of accommodations was between \$1 and \$500. Yet, despite these encouraging figures, paralyzed veterans and other disabled individuals remain an untapped resource in today's economy.

I would like to comment specifically on PVA's view of SBA actions since 1982, keeping in mind the healthy skepticism that I mentioned earlier. I feel progress has been made. The Director of Veterans Affairs' activities have begun to address some of the problems veterans have faced in dealing with the Agency. Outreach to veterans has been increased and improved and, as a result, more veterans are applying for assistance from the SEA. From FY 1980 to FY 1984, veterans' participation in the SBA's regular guaranteed

business loan program has increased markedly from just under 3,300 veterans served to over 5,400 veterans in 1984. Since 1980, veterans' participation in the guaranteed loan program has risen from 12% to 25%.

PVA believes the SBA, through the auspices of the Office of Veterans Affairs, has initiated good programs in the areas of management assistance and outreach. Pilot programs which provided for outreach to Vietnam-era and disabled veterans were instituted. Conferences were held in cities such as San Francisco, California, Columbus, Ohio, New York City, and Denver, Colorado. A statewide program was also conducted in Florida. The Agency reports that these projects reached more than 2,500 veterans. Also, during FY 1984 the Agency conducted thirty-two Veteran's Business Training and Networking Conferences throughout the country, serving between ten and fifteen thousand Vietnam-era and disabled veterans.

PVA believes the interest shown in SBA programs and the number of loans granted during the last three fiscal year periods is a dramatic affirmation of what we have been saying for years. That is, veterans - and especially paralyzed veterans - wish to participate fully in the economic life of the country. And, given the knowledge of programs available and the opportunity to participate they will take advantage of SBA programs in increasing numbers. Therefore, we urge this Subcommittee to continue its work in ensuring that the Agency reaches out to the Vietnam-era veteran and especially the disabled veteran - and provide the special consideration which the law mandates.

I believe the success that has been shown since the SBA began emphasizing "special consideration" for veterans justifies continued activity in this area. If the programs are publicized and emphasis is placed on veterans getting loans processed, then this system can work. However, I think it is time to consider what the SBA is doing for the catastrophically disabled veteran - PVA members and others.

In 1973, Congress, along with rehabilitation providers and disabled consumers, recognized that rehabilitation services which were being provided to disabled individuals under the Rehabilitation Act, were not addressing the needs of individuals with "severe handicaps." Because of the pressures to provide "successful" case closures, rehabilitation counselors were serving the slightly disabled person who stood a better chance of becoming employed, at a lesser cost, rather than providing services to a similarly situated severely handicapped person. Because of this inequity, Congress provided for a priority in service for severely handicapped individuals similar to the veterans preference program of the SBA. Currently, Congress is examining how to improve the services which are provided to severely handicapped individuals under the Rehabilitation Act of 1973, as amended.

I would like to point out to you the similarity in purpose between the priority in services because of a "severe handicap" and the "special consideration" granted to veterans in SBA programs. Just as a slight disability is not the same as a severe handicap, a Veterans Administration rating of 30% cannot compare with a catastrophic disability rating of 100%. Yet, they are treated the same for purposes of "special considerations." PVA recommends that the Subcommittee charges the SBA to review its applicant

files to determine what numbers of 100% catastrophically disabled veterans are applying for assistance from the SBA.

If, as we believe, the numbers prove to be few, we feel some special program to provide services to catastrophically disabled veterans could be an excellent follow-up to existing programs for veterans and a method to bring those individuals into the work force. Using the information and expertise gained during the past three years, the SBA should establish a Pilot Program for Catastrophically Disabled Veterans. This program should be directed toward qualified veterans who are in the Veterans Administration Chapter 31 vocational rehabilitation process and to non-service-connected disabled pension recipients in order to give them the opportunity to direct their training towards small business ownership. The program should be geared towards both Veterans Administration programs and state vocational rehabilitation programs. The emphasis might first be focused on educating vocational rehabilitation counselors on the availability of SBA programs in order to make them aware that business ownership may be a viable option for the catastrophically disabled veteran. The next step would be to educate and counsel the veteran client on the vocational rehabilitation process. The program should be directed at the intake stage and those early parts of the rehabilitation process where decisions on future direction are being made. By targeting a portion of the veteran population that is currently underserved and largely unemployed, the SBA will aid in transforming these catastrophically disabled veterans into "productive members of society."

During the last Congress, PVA was successful in getting legislation passed which created a four year pilot program which provides vocational

training for new nonservice-connected disabled veteran pension recipients, under the age of 50. I would like to thank the members of the Veterans Affairs Committee, you members, and the entire Congress for getting P.L. 98-543 enacted into law.

This legislation allows a qualified veteran to pursue vocational training while, at the same time, continues to receive the allowable pension. Once employed, and thus over the income threshold for pension entitlement, the veteran will continue to be eligible for VA health care. This work incentive program should go a long way to improve the bleak employment forecast that a catastrophically disabled veteran faced before.

This program would be an excellent one for the SEA to work with in implementing a Pilot Program for Catastrophically Disabled Veterans. The population is small and defined. The VA administers the vocational evaluation and training program and SEA could work with the VA to ensure that the participants are made aware of SBA programs and the possibility of their training program being directed towards business ownership.

Mr. Chairman, this concludes my testimony and, I will answer any questions that I can.

Mr. MAVROULES. Thank you very much, Mr. Capozzi.

Before I go on to Mr. Bourie, I just want to ask you a question. You have made certain recommendations here this morning. Have you formally submitted those recommendations to the SBA?

Mr. VIRELLAS. Mr. Chairman, if I may, I would like to answer that.

Mr. MAVROULES. Sure.

Mr. VIRELLAS. PVA is part of the SBA's National Advisory Committee on Veterans' Affairs. As such, I chaired the Subcommittee on Disabled Veterans.

Specific recommendations were made to the SBA that addressed the needs of catastrophically disabled veterans. These have been talked about, and to some degree implemented, or trying to be implemented as has been suggested. However, the constant threats on the budgetary system of SBA have made that somewhat difficult, and I would believe that despite SBA's efforts to address these needs, unless that steadfastness is there with reference to SBA's budget, I do not think SBA's efforts will be of any use.

Mr. MAVROULES. I can assure you we will certainly take this very seriously and that is why we are having the hearings.

I would, certainly, formally, make that presentation to the SBA and let us worry about the budgetary consequences down the line. That is my suggestion to you.

Mr. Bourie, please continue.

TESTIMONY OF JAMES G. BOURIE, NATIONAL SERVICE DIRECTOR, AMVETS

Mr. BOURIE. Thank you, Mr. Chairman.

I want to thank the members of this committee and certainly yourself for holding these hearings. AMVETS is pleased to present its views on the Small Business Administration's Veterans' Program. We commend you, Mr. Chairman, and the committee, for taking an active role in the Veterans' Programs of the SBA.

It might be interesting to note that May 7, today, is the 11th anniversary of the official end of the Vietnam era. So it is most appropriate that you are looking into some of these matters.

I am going to digress from my prepared statement. You have it in front of you and it essentially says the same thing that everybody else has been saying about the veterans' program. But let me throw these things out for your consideration and the SBA's.

That if there are excess funds floating around, that are earmarked to be turned back in, why can't the SBA replicate the South Carolina program in Massachusetts, in New York, right now, tomorrow? That is No. 1.

No. 2, the SBA, as you know, does have a national advisory committee and some of the recommendations being brought up should be brought up to the next advisory committee on May 6. I believe that is the next meeting date. Vince Pagano, the Director, would confirm that. I would certainly urge Mr. Pagano to invite key members of this committee as well as the Senate Small Business Committee, to participate in all veteran advisory committee meetings starting June 6. That is a dimension that is not added to that veterans' advisory committee hearing.

We have veteran organizations, we have the private sector, a few others, but in this day and age, considering the future of the Veterans' Program, I would certainly recommend that key staff members from the House and Senate Small Business Committees be invited to all veteran advisory committee meetings.

My third—and I will finish up with this—is that we, too, are concerned about the future of the SBA and the veterans' programs. Where is it going? What will be the final outcome? Well, let's join forces. Let's hold an informal gathering at some time and find out what we each can do in our respective areas.

Who do we need to target? What do we need to do?

Veterans' organizations represent a lot of people out there in all walks of life; and your constituents who are very active in your campaigns one way or the other; well, let's sit down some afternoon or some morning and discuss that—if we can't save the SBA, what is going to happen to the veterans' program? Where will it go, and what will it look like?

That concludes my testimony, Mr. Chairman.

Mr. MAVROULES. Thank you very much, Mr. Bourie. I think that is an excellent suggestion and we will follow up on that.

Mr. BOURIE. Thank you.

[Mr. Bourie's prepared statement follows:]

PREPARED STATEMENT OF JAMES G. BOURIE, NATIONAL
SERVICE DIRECTOR, AMVETS

Mr. Chairman, and members of this Committee, the American Veterans of World War II, Korea and Vietnam (AMVETS) is pleased to present its views on the Small Business Administration's veteran programs.

AMVETS first wishes to commend this Committee, and you Mr. Chairman, for taking an active role in the veteran programs of the SBA. The leadership shown is indeed encouraging, and we urge the Committee to hold regular oversight hearings on this subject in the future.

Mr. Chairman, we all are aware that the economic backbone of this nation is small business. During the recent economic recession large businesses showed little or no growth, yet small businesses made dramatic increases. The amount of annual small business start-ups in this country is staggering. Many states and cities now have special small business offices and programs to aid in the completion of necessary forms, licenses as well as small business development. We are indeed a nation of small business.

It is unknown how many new small businesses or existing ones are owned by veterans; however, we can safely assume a good portion. We would not be at all surprised since military service instills in one a sense of mission, discipline, teamwork, responsibility and other positive attributes necessary for a successful business. Veterans of the World War and Korean Eras by now are in business for themselves or have made the decision not to go into business. However, veterans of the Vietnam Era are

at the prime age of business ownership. Many have a clear plan of their business goals, but need the advice, guidance and often financial support that the SBA's veteran program offers.

It is not too difficult for us to recite the brief history of the SBA's veteran program. Simply, there was no program prior to 1980. Yet we can trace veteran business interest back to 1964 when, at the urging of the veteran community, the administrator issued a directive that Vietnam veterans were to receive program "priority". However, nothing of substance was done. Years of frustration led the veteran community to seek the help of Congress which included "special consideration" for veterans in the Small Business Act of 1974 (P.L. 93-237). That phrase still provides the groundwork and mandate, for the agency's veteran program. It is interesting to note that "special consideration" was never fully defined by Congress, or the agency. Consequently, the agency did what it knew best as far as a veteran program was concerned--nothing.

This was the situation until 1981, when at a House Veterans Affairs Committee oversight hearing, it was recommended that the SBA form a 90 day Veteran Task Force to review veteran involvement in agency programs. The SBA agreed to this task force and invited veteran organizations as well as agency program chiefs to serve as representatives. The past Administrator, Jim Sanders, headed up one task force subcommittee. In time,

the several subcommittees made their recommendations: clear veteran program goals/objectives; veteran PR campaign; a veteran handbook; regulations defining "special consideration"; veteran workshops; finance and management assistance; designation of field Veterans Affairs Officers and importantly, the creation of a National Veterans Affairs Office to coordinate and direct all veteran activities and programs.

Mr. Chairman, the progress of the SBA's veteran program owes in great measure its success to a handful of officials: Jim Sanders, Marshal Parker, Frank Swain, the late Steve Mollet and others who moved the program ahead in the face of often stiff internal agency resistance. These individuals made a sincere, honest and personal commitment to establish a responsive program. For their efforts, AMVETS is grateful.

In a remarkably short period of time, the SBA's veteran program made a 180 degree turn: Veteran Affairs Officers at field stations were designated; a handbook was published; a PR campaign was initiated; veteran workshops were held, and much more. Statistics for that period showed 32 major Veteran Small Business and Networking Conferences (with a total of 10,000 attendees); 80,000 veterans counseled; and in 1980 veterans received 12 percent of all loan dollars. However, that figure over the years grew considerably: 1982, 22 percent and in 1983, 24 percent. In FY 84 all loans to veterans were approximately \$550 million, with Vietnam Era

Veterans receiving \$312 million of that amount. The SBA further required that veterans receive first priority in processing and funding of loan applications and otherwise gave priority in Surety Bonds, Procurement and other areas.

Meanwhile, the original Veteran Task Force was officially extended beyond its term and had, instead, become a chartered Veteran Advisory Committee. Also, the administrator issued a directive stating his support and commitment to the veteran program and went on to further identify certain veteran initiatives that were to be taken immediately.

Mr. Chairman, recent veteran program figures provide more evidence of the gains made by the agency's veteran programs: for FY 85, 27 percent of all loans were made to veterans. Significantly, veteran default rates were, we believe, below the agency average--6.27 percent for direct loans and 1.74 percent for guaranteed loans. Much better even than some commercial lending institutions. These figures lend further credence to the fact that veterans indeed made good credit risks.

Further, between 13-15,000 veterans attended special workshops, over 100,000 veterans were counseled; Veterans' Affairs Officers were trained; specific veterans-in-business research grants/contracts were made and more.

On a parallel matter, the integrated special \$25 million lending program established by P.L. 97-72 for Vietnam Era and disabled veterans has had unfortunately modest success because, we believe, of the availability of established veteran initiatives.

It must be emphasized that while veteran lending rates provide a fair measure of the success or failure of the veteran program, we should not be misled into believing that they are the only yardstick. It has been our experience that veteran business owners and entrepreneurs seek SBA assistance in accounting, marketing, management and many other areas. We cannot, therefore, focus in on just lending rates, but must look at all SBA programs and policies towards veterans.

Undoubtedly, the SBA's veteran program has made considerable progress since 1980, but now we find that little progress has been made in the past several months. This stagnation may have been due in part to the administration's attempt to eliminate the SBA earlier this year. All program progress came to a sudden halt with agency morale dropping drastically while Congress debated the agency's future. No program head was willing to commit resources to what may be a lost cause. Interestingly enough, during this period, veterans were told at some field offices that there was no veteran program. One positive development, however, was the creation of a National Veterans Advisory Committee composed of major veteran organizations, representatives of

the Department of Labor, Department of Defense, VA, key agency program heads and the banking community. Further, Veterans Business Resource Councils seemed to get a small foothold in a few communities. Indeed, VBRC's are an excellent mechanism for the small business and veteran communities to come together, free of the SBA, to decide local veteran small business needs, programs and activities.

Mr. Chairman, while we mentioned earlier that the SBA's veteran program is now stagnant, we are also uncomfortable with certain recent events and developments.

Of special concern is the administration's concerted effort to eliminate the SBA. While AMVETS has no official mandate on the continuation of the SBA, we have, however, seen first-hand what good the veteran program has done. And should the SBA be eliminated, with some programs transferred to the Commerce Department, we would expect a Veterans Office be created to continue on with the work already established.

Nonetheless, there have been some recent positive developments. For one, a new Veteran Affairs Director, Vince Pagano, has been appointed after a too long delay. We know and have worked with him over the years in his previous capacity as Executive Assistant to the Assistant Secretary for Veterans' Employment and Training, U.S. Department of Labor and feel Mr. Pagano will make a good

contribution to the agency's veteran programs, if, however, he is given the necessary and required internal support.

We should also like to see Veterans Affairs Offices continue with their training; the establishment of more VBRCs nationwide; greater use of public information and outreach aimed at veterans; continuation of veteran seminars, especially in leveraging.

Mr. Chairman, now after over five years of an active and responsive veteran program, it is well conceded that there is indeed a strong demand for continuation. The veteran community has readily accepted the SBA and its veteran programs. To do otherwise will take away yet another veteran benefit and leave too many of this nation's veterans disillusioned.

Thank you for allowing AMVETS the opportunity to express its views.

Mr. MAVROULES. Now to conclude the testimony, Nancy Clarke. Nancy, would you proceed, please.

TESTIMONY OF NANCY CLARKE, DIRECTOR, GOVERNOR'S SMALL BUSINESS ASSISTANCE PROGRAM FOR VETERANS, VETERANS' SERVICE OFFICE, COMMONWEALTH OF MASSACHUSETTS

Ms. CLARKE. Yes; Mr. Chairman, my name is Nancy Clarke. I am the director of the Governor's Small Business Assistance Program for Veterans in Massachusetts.

I would like to thank you personally for inviting me here this morning.

I am also the executive director of the Governor's Advisory Commission on Women Veterans in Massachusetts, and I am the president of the Boston Chapter of Vietnam Veterans of America, and I am a Vietnam era veteran myself.

Our program is a program that was granted to us by the Department of Labor and the Executive Office of Economic Affairs in Massachusetts to be administered by the Office of the Commissioner of Veteran Services.

The scope of our program is to intake 300 veterans to include Vietnam era, women, and disabled veterans, 200 of whom will go through an actual training course that I will explain in a moment. The other 100 of whom will be referred to the Job Training and Partnership Act, title 4(c), which is also under the Commissioner of Veteran Services.

The 200 veterans whom we will be training will receive one-on-one counseling, group counseling, classroom training, hands-on training, in a very supportive and caring environment which will motivate them eventually at the end of our program to be able to go to lending institutions and get the money for their own businesses.

What we are hoping to accomplish is to have them come in to us with the packets from the bank in the beginning; show them how to go through the process of the packets that they must fill out; teach them what markets are; teach them what business plans are; teach them what financial markets are—all of the things that common sense tells us we need to know in order to go into a business.

What we have found is that the Massachusetts program is in a very unique position. The problems with the SBA have already been determined and they are defined, and now the SBA is working on solving those problems. I can attest to you that in the past 3 months since I have become a director of the program, the regional office in Boston of the SBA has given me their full cooperation. They meet with me weekly. They give me any information I want. They open up all of their resources. They give me the names of anybody I need to talk to. And in the last 2 weeks I have sent 17 people to them who have come to me wanting to know about money—we are only a training program.

I have hooked those 17 people up with SBA officials in Boston, and each of the 17 people I have met with personally afterwards have been satisfied with what they have gotten from the SBA.

Now, I am not saying that everything has been cleared up. But the SBA is coming to us saying what can we do? Here are the books we have; here are the people that we have; we will help you in any way that we can. And they are there all the time whenever I need them.

You were saying before, how can we show the administration. I think one of the things we can do is use the Massachusetts program as a model program. We have the cooperation of the SBA. The SBDC's are in cooperation with us. We have the University of Massachusetts, the one in Joiner Center is cooperating with us. It is a joint effort of a lot of different groups of people and Government agencies to come together and service these people who eventually will go into their business and pay it back. I think that is one way of showing the administration why the SBA still needs to be involved and still exist in terms of veterans. We can eventually help these veterans give back to the Government what the Government gives to them.

My other recommendation comes from the fact that I am the executive director of the Women's Advisory Committee. I would like to state that in addition to what an earlier witness said about men going into business, women also go into business.

Now, in Massachusetts, we have 30,000 women veterans of all eras. So far, I have reached about 1,000 of those women. Of those 1,000, 450 of them have completed questionnaires for me and not one knows of the special consideration that the SBA is supposed to be giving to Vietnam veterans.

I think one recommendation that the SBA may follow and which they are already working on—they have come and testified to the Women's Committee—is that they need to do outreach to women. We all know that women over the years have had problems obtaining loans because women are generally not in the position to have much equity. However, that is changing as women go into the work force and women are making their own money.

But I think the major thing that the SBA can do for the women in Massachusetts is to do some outreach and they are beginning to do that through this committee, and I believe they want to do it through other sources, particularly the community colleges as well.

Thank you.

Mr. MAVROULES. Thank you very much, Nancy.

I might add that the Governor from our Commonwealth testified before a committee on the Employment Training Act that is very successful back in Massachusetts, and also the amnesty law on taxes, where we hope to pick up anywhere from \$20 to \$30 billion.

Back in the Commonwealth, how would you handle the problem that Mr. Capozzi referred to—the catastrophically disabled veterans? How can we handle that in a much better and smoother way?

Ms. CLARKE. Well, it has a new name, it was the Massachusetts Rehabilitation Hospital, I think it is Spaulding now, has also received a grant from the Department of Labor to work with severely disabled veterans.

I think what we can do for them, as Mr. Capozzi said, the computer revolution has done wonderful things for severely disabled people. We can help them find businesses in which they can func-

tion or else mainstream them into business by making sure that they have proper access, both monetarily and physically.

Mr. MAVROULES. Let me ask a question, Nancy, a very hard question, but I must ask it.

Do some employers have a psychological hangup when they see a paralyzed veteran come in?

Ms. CLARKE. Of course, as there is when they see women come in.

Mr. MAVROULES. How can we break this?

Ms. CLARKE. I can tell you from my experience teaching disabled veterans. I have taught disabled and Vietnam era veterans in college level for the last 7 years. And what I see on the university level, which is supposed to be very enlightened, is this person is disabled, therefore, their brain is not functioning as well as mine is—which is a societal prejudice that is going to take education to overcome.

I think getting those folks to the place where they can go into business for themselves is part of showing the rest of society that we are totally equal members of society.

Mr. MAVROULES. Do you want to respond to that, Mr. Capozzi?

Mr. CAPOZZI. I think Congress recognized the problem in 1973 when they passed the Rehabilitation Act.

Mr. MAVROULES. That is right.

Mr. CAPOZZI. It is an antidiscrimination statute, section 503, and addresses discrimination on the basis of handicap for Federal contractors. However, 2 years ago, the Supreme Court limited the scope of section 503 and section 504 and other antidiscrimination statutes when they handed down the case of *Grove City College v. Bell*, and that limits the scope of antidiscrimination now to only programs or activities that receive directly Federal financial assistance not to the entire institution. Because of that, discrimination is still rampant.

In the Lou Harris survey poll that I mentioned, one out of four individuals that were queried by the poll responded that they have encountered job discrimination on the basis of handicap.

Mr. MAVROULES. Mr. Capozzi made some recommendations—does anyone want to comment on these? Mr. Bourie, would you like to?

Mr. BOURIE. I just wanted to add that the SBA did conduct a study about 18 to 24 months ago on businesses that can be owned by the disabled, specifically disabled veterans.

Mr. MAVROULES. Mr. Capozzi has recommended certain legislation, or administrative initiatives, that I have requested they formally put forth to the SBA. How do you feel about those recommendations?

Mr. BOURIE. I would like to see them first.

Mr. MAVROULES. You would like to see them first.

Ms. CLARKE. I also, yes.

Mr. MAVROULES. OK.

Joe?

Mr. DIOGUARDI. No further questions. I appreciate your testimony and I have a much better understanding of the needs and the perceptions for veterans. Hopefully, we can come up with a solution to it. I think it is important. We just have to find the money and it is going to be by getting underneath those numbers and not

coming up with conventional wisdom as we seem to be doing in this budget process which doesn't seem to be working.

Mr. MAVROULES. I would like to thank all of you. I feel this has been a very, very helpful hearing here this morning, and we will certainly follow up with some of the recommendations.

I did have a number of questions, but most of them were answered in your opening statements. We will keep the record open. There might be other questions we will be asking of you and we would ask that you respond promptly.

Thank you very much. It has been a great morning.

[Whereupon, at 12 noon, the subcommittee adjourned, to reconvene subject to call of the Chair.]



APPENDIX

PREPARED STATEMENT OF EMIL W. NASCHINSKI, ASSISTANT DIRECTOR, NATIONAL
ECONOMIC COMMISSION, THE AMERICAN LEGION

Mr. Chairman, The American Legion is pleased to have an opportunity to submit for the record our views on the Small Business Administration (SBA) and its veterans' programs. Attached to our statement are two current Legion resolutions on the SBA. We respectfully request that these two resolutions be made a part of the record.

The first, Resolution No. 424, reaffirms The American Legion's support for the full staffing and funding of the Veterans' Affairs Office of the SBA. Without the proper resources, the mission of the Veterans' Affairs Office will be seriously compromised.

Resolution No. 17, which was adopted last week at the Spring meeting of our National Executive Committee, mandates The American Legion to work for the continuation of the SBA and its Congressionally mandated policy of "special consideration" for veterans. Furthermore, by the authority of Resolution No. 17, The American Legion will, if necessary, fight for a complete transfer of function of the Veterans' Affairs Office to the Veterans Administration

(VA), or other appropriate agency, in the event that the SBA is dissolved.

Mr. Chairman, The American Legion views federal assistance to veteran-owned small business as a traditional veterans' benefit that dates back to 1944. In that year, Congress passed the Servicemen's Readjustment Act of 1944, which became better known as the GI Bill.

This legislation established a loan program for World War II veterans. Among other things, the loan program, which was administered by the VA, provided start-up capital for veteran-owned small businesses. Eight years later, Congress saw fit to extend the World War II loan program to include Korean war veterans.

According to a study conducted by the late Congressman Olin Teague in June 1952, over 2,861,000 loans had been guaranteed by the VA. Of that amount, three percent, or 84,200, were small business loans.

In 1953 Congress passed legislation that created the SBA and provided for the transfer of the small business loan program for veterans to the new agency. Despite the 1974 passage of PL 93-237, which mandated the SBA to provide "special consideration to veterans of the Armed Forces of the United States and their survivors and dependents," little, if anything, was done until 1980 to promote the SBA's veterans' programs.

Following enactment of PL 93-237, it was nearly two years before the regulations implementing "special consideration" were

printed. Even then, nothing in them established veterans as a special or priority agency concern. As a result of this, and a naggingly persistent agency reluctance to address the rights of veterans under the law, veterans were relegated to the back of the bus.

In 1980, as a result of oversight hearings in both the House and Senate, the SBA was presumably embarrassed into taking some steps toward implementation of the law. As a first step, Veterans Affairs Officers were designated in each district office and given responsibility for providing "special consideration" to veterans seeking to initiate new businesses.

A second agency step undertaken later in 1980, and again presumably as a result of embarrassment before Congress, was an effort to launch an outreach campaign to assure that veterans were aware of their rights and to provide information and assistance. In that year, the SBA sponsored approximately 100 conferences and workshops around the nation. At a time when it appeared that veterans were finally going to receive genuine assistance, however, there was a change in Presidential Administrations, creating understandable uncertainties as to what a new executive team at the SBA might have in store for veterans.

After some initial resistance, owing to a general policy desire to reduce spending and to take the SBA out of the direct loan business, a genuine partnership between the SBA and the veterans service organizations was formed in the interest of fashioning a meaningful veterans program. At the request of the

veterans organizations and the urging of House Veterans Affairs Committee Chairman Sonny Montgomery, a task force consisting of representatives of the SBA, VA, DoL and veterans organizations was established to thoroughly define the agency's responsibilities to veterans and make recommendations for future action. The report of this task force was submitted to the Administrator of SBA in early 1982 and on May 14, 1982, the then Administrator, James Sanders, issued a policy statement setting out the skeleton of an agency mission for veterans.

Mr. Chairman, since 1981 and until recent months, the SBA has demonstrated a commitment to veterans and to its responsibilities under the law that has been unparalleled since the issue of "special consideration" first emerged in 1969. According to SBA statistics, veterans received only 12 percent of all loan dollars in 1980. Over the following years, the percentage increased considerably. In 1983 the SBA reported that the percentage had doubled, and by 1985 it was up to 27 percent. Unfortunately, developments over the past few months appear to have combined to obscure the agency's mission, and its sense of direction where veterans are concerned.

In our opinion, the Administration's attempt to abolish the SBA last year; the recent resignation of Administrator Sanders, a man whose actions proved him to be a friend of the veteran; and the lengthy delay that occurred in filling the vacancy that resulted from the unfortunate and untimely death of the former Director of Veterans Affairs, have all played a part in creating the

stagnation that is currently pervasive in this agency. While The American Legion can understand how and why this atmosphere came about, we, nevertheless, find it to be totally unacceptable.

Despite the fact that President Reagan signed a three year reauthorization of the SBA last year, which Congress had approved despite the President's announced determination to terminate the agency, it appears that the future of the agency is once again in jeopardy. As you well know, Mr. Chairman, the SBA recently sent a proposal to Congress that would terminate the agency's loan programs and would transfer other SBA programs into the Commerce Department. This proposal, although we anticipate considerably Congressional opposition, concerns The American Legion as it contains no provision for the continuation of the Veterans' Affairs Office. Where, then, are veterans to turn for technical assistance?

Another major concern of ours has to do with Mr. Charles L. Heatherly, the acting Administrator of the SBA. Since his appointment by the White House on April 1, it has become apparent that he is attempting to dismantle the agency without Congressional approval.

Although Mr. Heatherly claims to be committed to carrying out the SBA's legally mandated programs, his actions say something entirely different. During his first day on the job, Mr. Heatherly fired six of the agency's ten Regional Administrators.

To date, only two of those vacancies have been filled - both are individuals who share the Administration's desire to terminate the SBA's loan program and to transfer its remaining functions to Commerce.

According to various news sources, Mr. Heatherly has also made public statements concerning the number of SBA employees who will be eliminated once the transfer of the agency is completed. He seems to regard this as a certainty, although it has taken over a year for the President to find Congressional sponsors for a bill to dismantle the SBA. These remarks are not only premature, but also demonstrate a total disregard for agency morale.

In conclusion, Mr. Chairman, The American Legion wishes to once again affirm its support for the continuation of the SBA as a federal agency, with its loan authority and its Veterans' Affairs Office left intact.

We thank you for allowing The American Legion this opportunity to express our views on the SBA and its veterans' programs.

THE AMERICAN LEGION
SIXTY-SEVENTH ANNUAL NATIONAL CONVENTION
NEW ORLEANS, LOUISIANA
AUGUST 23-28, 1985

RESOLUTION NO: 424
COMMISSION : Economics
SUBJECT : FULL STAFF AND FUNDING FOR THE VETERANS OFFICE OF THE SMALL
BUSINESS ADMINISTRATION

WHEREAS, The Veterans Office of the Small Business Administration, a permanent office by order of the Administrator, is to advise the Administrator on agency programs and policies that affect veterans, to provide technical guidance, and conduct veterans veterans outreach efforts; and

WHEREAS, Such responsibilities cannot be accomplished unless adequate funding and staffing levels are maintained; and

WHEREAS, Reduction of funding and/or staffing levels of the Veterans Office would seriously jeopardize the efficiency and effectiveness of that office; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Louisiana, August 26, 27, 28, 1985, that The American Legion urge the Small Business Administration to fully fund and staff its Veterans Office so it can accomplish its mission.

NATIONAL EXECUTIVE COMMITTEE
OF THE AMERICAN LEGION
INDIANAPOLIS, INDIANA

MAY 7-8, 1986

RESOLUTION NO.: 17
COMMISSION : Economics
SUBJECT : CONTINUATION OF SMALL BUSINESS ADMINISTRATION
AND ITS OFFICE OF VETERANS AFFAIRS

WHEREAS, A program of assistance to veterans in small business, including direct and guaranteed loans, was part of the original GI Bill; and

WHEREAS, Small business assistance for veterans was transferred to the Small Business Administration, but without special provision for veterans; and

WHEREAS, The Small Business Act was amended by PL 93-237 to provide that the SBA "shall give special consideration to veterans of the Armed Forces of the United States and their survivors or dependents"; and

WHEREAS, There has been established in the SBA an Office of Veterans Affairs, with designated Veterans Affairs Officers in each SBA regional and district office; and a special direct loan program exclusively for veterans; and

WHEREAS, In fiscal year 1984, 27 percent of total SBA guaranteed loans went to veterans, compared to 11 percent in 1980; Veterans Business Resource Councils have been established in ten states with the help of the SBA; numerous research projects on veterans in business have been completed; and many seminars and workshops for veterans have been held by the SBA; and

WHEREAS, There have been presented Administration proposals to Congress to end the separate existence of the Small Business Administration, thereby transferring some of its functions to other agencies, such as the Department of Commerce, but with no mention of any service to veterans such as those listed above, and with a complete cessation of all direct and guaranteed loans; now therefore be it

RESOLVED, By the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, on May 7-8, 1986, that The American Legion oppose elimination of the Small Business Administration (SBA) and its guarantee and direct loan authority; and the existing provision for "special consideration" for veterans; and be it further

Res. No. 17

RESOLVED, That in the eventuality of the dissolution of the SBA, all those functions of guaranteed and direct loans, management, and technical assistance for veterans, and including those special activities of the SBA's Veterans Affairs Office, be transferred to the Veterans Administration, or other appropriate agency, with sufficient funding to adequately carry out its mission.

○